A HISTORY OF THE COTTON PRODUCERS ASSOCIATION

By

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. . . to the Dixie farmer

and those dedicated to his service . . .

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Despite the varied and extensive help given in this study, no one can be blamed for errors of commission or of omission except the author. Therefore, the conclusions, opinions, and other aspects of this work are solely his.

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CHAPTER I

INTRODUCTION

An Overview

The Cotton Producers Association (CPA) which began under the most adverse internal and external operating conditions in 1933 as a small cotton marketing association has become one of the 500 largest industrial corporations in the United States.[1] CPA now represents some 150,000 farmers and is almost as diversified as agriculture itself. This agricultural cooperative manufactures and processes feed, seed, fertilizer, pesticides, animal health products, and other farm supply items and distributes them through Farmers' Mutual Exchanges located predominantly in the four-state area of Georgia, Florida, Alabama, and South Carolina. Its Gold Kist divisions are engaged in the marketing of cotton, grain, pecans, peanuts, poultry and livestock on a world-wide basis. As this analysis was being made, a soybean processing facility was being constructed, an egg production and marketing program was being

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[1]The Cotton Producers Association was ranked (by sales volume) 312 in the 500 largest industrial corporations based on 1968 operating year information. This represented an improvement in ranking from 316th on the basis of 1967 sales data. Source: *Fortune*, May 15, 1969, p. 178.

planned, and a program for producing and processing catfish was being implemented. Moreover, as one of the largest and most successful farmers' cooperatives, its methods and policies are widely imitated both at home and abroad.

These are but a sampling of the many accomplishments achieved by this organization in its short, but active and prosperous thirty-five years of existence. Mistakes and disappointments are also a part of this history. These resulted in part because the cooperative not only began operations in an area where the cooperative form of organization had been largely unsuccessful for the farmer, but also because much of its development has represented a pioneering effort.

That this organization succeeded where earlier cooperative attempts by Georgia farmers had failed, may very well be attributed in large measure to the vision and resolute determination of David William (D.W.) Brooks and to those he interested in his ideas. The belief of D.W. Brooks, greatly intensified by the agricultural depression, was simply that the only way to improve the lot of these farmers was to emphasize better production practices and marketing efforts. Moreover, he was convinced that those farmers who developed their own marketing systems for their farm products were in a better position to improve their economic circumstances than those, more numerous at the time,

who did not concern themselves with these aspects of enterprise. This belief, coupled with his unequaled ability to convince farmers of its relevancy to their problems, was of great importance in making CPA an enduring reality. Combining this with his talent and good fortune in surrounding himself with dedicated associates, capable of implementing his ideas through sound business practices into a workable organization unit, a company history of unique and interesting proportions unfolds. The history of The Cotton Producers Association is an abundant record of the contribution of a business institution to the economic and social life of the Deep South. It is a striking example of what agricultural cooperatives can do.

Hypothesis

The investigation of the organic growth of this cooperative in its thirty-five-year history is the subject of this work. The story of the organization progresses from meager beginnings to world-wide operations. Here is precisely the mixture of material from which a sharpened sense of business history can be acquired.

Specifically, the organization, administration, and operation of this enterprise from its inception up to June 30, 1968, will be examined. Those important internal

factors affecting the organization such as policy, control, and resources as well as pertinent environmental conditions will be considered as they are appropriate. In accomplishing this analysis, each aspect of the development of the association will be approached from the basic point of view that The Cotton Producers Association was formed in response to a recognition on the part of D.W. Brooks and the other founders that there was a need to cooperate formally in meeting production and marketing problems of the farmer.

More precisely, the hypotheses that have guided this study are:

1. that The Cotton Producers Association was created to meet critical needs of the farmer in the producing and marketing of agricultural products;

2. that this philosophy has been paramount in the subsequent policy decisions leading to the expansion and integration efforts of the cooperative and remains so today;

3. that this organization of farmers, unlike many of its predecessors has been able to successfully educate its membership to this philosophy,

4. and, therefore, many of the organizational and developmental aspects of The Cotton Producers Association should be more widely applied to the cooperative form of organization wherever possible.

Research Methodology

At the base of the sources and materials utilized in this analysis are the formal and informal records

maintained by the cooperative and to which the writer has had virtually unlimited access. These sources include the usual business records and reports, as well as the public and private correspondence and other written communications of the key officials of the cooperative. Additionally, all publications by or for the firm are utilized to the extent that they are relevant.

On this informational base, personal interviews were held with all of the major officers of the corporation. Numerous department managers, facility managers, and other employees whose viewpoint was felt to be relevant to phases of the study were also interviewed. These interviews were conducted during the winter and spring of 1968-1969. Their value can scarcely be overstated in that almost without exception the present officers have been with the organization since early in its development. Additionally, some of the original personnel of the organization, particularly D.W. Brooks, were available for discussions. C.W. Paris, the present Executive Vice President and General Manager, has been with the organization virtually throughout its entire history. He and other officers of CPA made it possible for the writer to inspect first hand a representative sampling of the diverse facilities during the periods in which the personal interviews took place.

Finally, secondary sources outside the firm including legal documents and general information relative to the conduct of the cooperative form of organization have been used. Reports of State and Federal agencies, particularly those of the Farmer Cooperative Service, U.S. Department of Agriculture, have provided valuable data.

Organization of the Study

While there are several approaches that might be utilized to develop a comprehensive study of CPA, the approach to be followed here is essentially chronological in nature. In view of the dynamic nature of the developments in this cooperative, it appears that such a procedure will enable a better perspective to be achieved. Furthermore, inasmuch as there are overriding areas of concern, or of attention, throughout the history which delimit phases of growth, such a means of presentation is not only convenient, but more meaningful.

Therefore, Chapter II treats aspects of the environment into which CPA was introduced. This is done by examining the characteristics and development of cooperatives in the United States and by briefly discussing the existing legal framework for cooperatives. The economic conditions of the period are also summarized in order to show the

critical need for some type of effort on the part of farmers to improve their relative position. A brief history of the organization in the period, 1933-1936, concludes the chapter.

Chapter III is devoted to the problems and efforts of the founders of the association in becoming an established part of the agricultural economy of Georgia. The pattern of development of CPA begins to emerge as the period ends with the year, 1940.

Chapter IV explores activities of the organization during the period of World War II, 1941-1945. Despite the problems of a wartime economy, the purchasing activity of the association was implemented during this period. Manufacturing of fertilizer was also begun during this time. The influence of the association was extended as it began providing purchasing services as well as the marketing of cotton.

Chapter V deals with the crucial activity of developing the manpower which was to provide the human resources for future explosive growth and integration of activities. Up to the time that this period ends, 1950, initially the existence and subsequently the growth of the organization caused major attention to be placed on organization matters.

Chapter VI is a study of the diversification which took place between 1950-1956. Numerous marketing services

for a number of other commodities were added to the original cotton marketing service. It was also during this time that an integrated broiler operation was instituted.

In Chapter VII, covering the years from 1957 through 1961, mergers and substantial facility expansion are discussed. It was during this period that the complexity of the organization became highly apparent to management. Also, one of the major problems in the recent history of the cooperative, the peanut merger, occurred during this time.

The last seven years, 1962-1968, are the subject of Chapter VIII. Much of the progress and activity of this period is directly traceable to the manpower development and facility expansion of earlier periods. It is also a period of time when the organization takes on more of an appearance of large-scale enterprise. During this time the originator of the idea, D.W. Brooks, and the majority of the original management group turn over the responsibility for a multimillion dollar cooperative to those who have grown up in the organization.

Concluding analysis and comments form the subject matter of Chapter IX. Additionally, from the history up to this time it should be apparent that The Cotton Producers Association is not without plans for the future. Therefore, it seems appropriate to outline in this section

those programs to the extent permitted without violating any confidences.

It is obviously impossible to do more than highlight the many aspects of the development of The Cotton Producers Association. In relating the history of the company, a major objective will be to reconstruct the circumstances under which the major policy decisions have been made. Yet, back of these decisions is the business organization managed by individuals who must decide all matters necessary to operate a going concern. Therefore, in addition to being a history of an industrial corporation, it must also be a history of people.

CHAPTER II

COOPERATIVES: ENVIRONMENT AND DEVELOPMENT

Characteristics of Cooperatives

The term "cooperative" is a generic one, covering many efforts of people working together. The concern here, however, is with certain formal institutions engaged in marketing farm produce, purchasing farm supplies, supplying production or consumption services, and supplying production or consumption credit to members of the agricultural community. The aim of such formal cooperation is to bring to farmers the benefits of permanent and efficient business organization, in ways and to degrees, that individuals or transitory cooperative arrangements are unable to accomplish. They seek to accomplish this goal through economies of scale in production, marketing, and organization.

The many and varied ways in which this formal cooperation has been achieved in agriculture are the result of peculiarities of commodity, of region, or of the founders of the cooperatives. Yet, in all instances, agricultural cooperation in the United States places special emphasis on meeting the economic needs of farmers in marketing products, obtaining production supplies, and securing the many

services needed in farming operations.[1] The voluntary joining together of physical, financial, and human resources is implied to achieve this goal. According to Joseph G. Knapp, Administrator of the Farmer Cooperative Service, U.S. Department of Agriculture, when a group of individuals establish a cooperative, they have in mind certain distinctive purposes, as follows:

> They seek to obtain services for themselves at cost; not to obtain profit from rendering services for others.
>
> They try to render the greatest financial benefit to their members as users; not to maximize profit for owners as distinct from users.
>
> They distribute amounts remaining after payment of the costs by doing business among those who are served by the cooperative in proportion to their use of its services; not in proportion to their investment in the enterprise.
>
> They plan to have an organization that will be controlled by its patron-members (each of whom ordinarily is allowed a single vote); not by the owners in proportion to capital contributed.[2]

While the foregoing description contains the more frequently mentioned elements used in defining an agricultural cooperative, it should be pointed out that many definitions have been formulated. Some of these are more inclusive; others seek to emphasize particular aspects of cooperation

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[1]U.S. Department of Agriculture, Farmer Cooperative Service. *Farmer Cooperatives in the United States*, Bulletin 1, 1965, p. 4.

[2]Joseph G. Knapp, *Farmers in Business* (Washington, D.C.: American Institute of Cooperation, 1963), pp. 5-6.

such as economic, social, or legal phases. For purposes of the analysis undertaken in this work, the following definition will be used:

> An agricultural cooperative is a business organization, usually incorporated, owned and controlled by member agricultural producers, which operates for the mutual benefit of its members or stockholders, as producers or patrons on a cost basis after allowing for the expenses of the operation and maintenance and any other authorized deductions for expansion and necessary reserves.[1]

There are more elaborate or differing definitions given by McCarthy,[2] Phillips,[3] Stanton,[4] and others.[5] These writers generally subscribe to the view that a noncooperative organization, be it a household, a proprietorship, a partnership, or a stock corporation, is defined as

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[1]L.S. Hulbert and Raymond J. Mischler, *Legal Phases of Farmer Cooperatives*, Farmer Cooperative Service, U.S. Department of Agriculture, Bulletin 10, 1958, p. 2.

[2]E. Jerome McCarthy, *Basic Marketing: A Managerial Approach* (Homewood, Illinois, Richard D. Irwin, Inc., 1964), p. 515.

[3]Richard Phillips, "Economic Nature of the Cooperative Association," *Journal of Farm Economics*, Vol. 35 (February, 1953), pp. 74-87.

[4]William J. Stanton, *Fundamentals of Marketing* (2nd ed.; New York, McGraw-Hill Book Company, 1967), p. 599.

[5]Some of the other authors who have commented on these features of cooperatives are: Frank Robotka, "A Theory of Cooperation," *Journal of Farm Economics*, Vol. 29 (February, 1947), pp. 93-114; Raphael Trifon, "The Economics of Cooperative Ventures--Further Comments," *Journal of Farm Economics*, Vol. 43 (May, 1961), pp. 215-235; and Peter Helmberger and Sidney Hoos, "Cooperative Enterprise and Organization Theory," *Journal of Farm Economics*, Vol. 44 (May, 1962), pp. 275-290.

an acquisitive economic unit which strives toward economic individuality or differentiation. Their contention is that a cooperative is not such an acquisitive economic unit. Rather, the cooperative is an aggregate of such units, each of which retains its individuality as an acquisitive economic unit. While this is a well-conceived theoretical distinction, it, at times, becomes difficult to apply in practice.

In reality, organizations that are generally considered to be successful agricultural cooperatives tend more toward becoming acquisitive economic units in themselves and ask that the individual members of the cooperative forego some of their individuality so that the organization may continue to grow. However, any advantage of success which may result in the process may be said to eventually accrue to the individual members. It may well be that too much is made of such a distinction in that, in many instances, the cooperative is no different from the noncooperative organization. The board of directors and the general manager represent the members in their entrepreneurial and decision-making responsibility in a manner not unlike that found in the investor-oriented enterprise. Furthermore, decisions on economic and social matters necessary to the continued successful operation of the firm are made in much the same way; that is, decisions are rendered in

consideration of, and for the benefit of, the group of members or the stockholders of the firm and not only for themselves, be they patrons or investors.

It is entirely possible that cooperatives that have succeeded have done so, in part, because of the recognition that cooperatives are a distinctive form of private business. According to Edwin G. Nourse, cooperatives differ from other forms of organization principally in how they perform the entrepreneurial function.[1] Nourse feels that the direct participants in the cooperative form of business supply both the exploratory and directional functions, as well as the capital and, therefore, dispense with the entrepreneur in the usual sense.[2] All of the other differences are of relatively minor importance unless they are inflated beyond their proper proportions, in which case they then place unnecessary restrictions on the management functions of the enterprise. This leads to suboptimization of resources and interferes with the aim of cooperatives which is, in short,

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[1]For a more complete statement of his views, see his article, "The Economic Philosophy of Cooperatives," *American Economic Review*, December, 1922, and his book, *The Legal Status of Agricultural Cooperation*, 1927. D.W. Brooks was much influenced in his ideas about founding a cooperative by writers of this time such as Nourse, as well as by accounts written of agricultural cooperation in Europe.

[2]Nourse, "The Economic Philosophy of Cooperatives," p. 90.

to provide for other groups in the economy some of the economic benefits enjoyed by other large-scale private enterprise.

Development of Cooperatives

The agricultural cooperatives in existence today, 8,125, with memberships of over six and one-half million and net business volume (excludes intercooperative business transaction) of $16.6 billion, are the result of over 150 years of cooperative activity in the United States.[1] The exact date of the first cooperative in the United States is subject to much debate, which seems to have resulted largely from differing interpretations as to what constitutes a cooperative in a formal sense.[2] Donald F. Blankertz

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[1]The figures given are all preliminary estimates for 1966-1967 year as reported in an article by Bruce L. Swanson, "Cooperative Business Continues Upward Surge," *News for Farmer Cooperatives,* Vol. 35, No. 12 (March, 1969). Corresponding statistics which are complete for the year 1965-1966 show 8,329 cooperatives engaged in marketing, farm supply, or related services. Memberships totaled 6,826,275 and net business volume was $15.6 billion.

[2]Those interested in exploring this matter of the inception of formal cooperative forms of organization are referred to: Donald F. Blankertz, *Marketing Cooperatives* (New York: The Ronald Press Company, 1963), pp. 79-98; Alice Lowrie Jewett and Edwin C. Voorhies, *Agricultural Cooperatives: Strength in Unity* (Danville, Illinois: The Interstate Printers and Publishers, Inc., 1963), pp. 22-26; and Joseph G. Knapp, "Are Cooperatives Good Business?" *Harvard Business Review* (January-February, 1957), pp. 200-204.

reports two cooperative attempts prior to the nineteenth century and some increasing activity along these lines in the early 1800's.[1]

Size and Scope

There is apparent general agreement that, in the latter part of the nineteenth century, cooperatives were still few in number and small in size and effect. In the majority of instances they were local in nature, financed by the sale of stock to members and nonmembers. Some others, however, were unincorporated. The legal status of these early ventures remained to be determined.

One exception to the small size and local nature of cooperatives was the Patrons of Husbandry, or the Grange, as it was more commonly known. Farmers had been increasingly restless and frustrated by the diminishing share of national income accruing to the agricultural sector of the economy. The Grange became, for many farmers, a means of expressing this dissatisfaction. It has been estimated that this organization experienced a peak membership of 850,000 in 1875, made up of more than 20,000 granges throughout the United States.[2] While its founder, Oliver Hudson Kelley,

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[1]Blankertz, *Marketing Cooperatives*, p. 81.

[2]Chester W. Wright, *Economic History of the United States* (New York: McGraw-Hill Book Company, Inc., 1949), p. 507.

envisioned the Grange as a means for the social and intellectual improvement of the farmers of the nation, the farmer members quickly subverted his objectives for economic and political goals. While there were some instances of limited success in the East and South, efforts to improve economic conditions through the establishment of cooperative stores were largely unsuccessful. However, in the area of cooperative marketing of farm products, the results achieved by the Grange were somewhat more satisfying to the members.

An ever-increasing attention to political activities by the Grange may have been very important in accounting for the rapid decline in membership and in numbers of chapters after 1875. Many of its farmer-members were much more concerned with immediate payout from their association, rather than the less directly affective political achievements of the Grange. Nevertheless, the appearance and rapid acceptance of this organization by thousands of farmers no doubt exerted an influence on the degree and scope of subsequent agricultural cooperative efforts. Perhaps the following summary best expresses the influence of the Grange:

> In spite of its business failures and its limited political success, the Grange succeeded admirably in certain respects. It taught the farmers the lesson of self-help and proved to businessmen that the farmer could lash out in protest. On the other hand, it gave the farmer more respect for the businessman. The many failures of cooperative enterprise showed the farmers that middlemen indeed filled a vital and useful function.

> Socially, the Grange helped to break down the dreadful isolation that had bred backwardness and superstition among rural people. It encouraged reading and public speaking on the part of many farmers, thus broadening them intellectually. In all, the Grange had an uplifting influence on the lives of hundreds of thousands of farmers.[1]

As the Grange declined in prominence, other national groups made their appearance. The Farmers' Alliance was one such organization dating from the late 1880's. It, like its contemporaries, was concerned with the economic and social problems of the farmer. Yet, the return of business prosperity to the farmers in the last few years of the nineteenth century and the first two decades of the twentieth century resulted in a decline in cooperative activity on a national scale. Many cooperatives were, however, formed in the period from 1890-1920. They were largely local in nature and concerned, for the most part, with the marketing of commodities.

Growth of Cooperatives

In 1890 there were about 1,000 active cooperatives of which approximately 75 percent dealt exclusively in dairy products.[2] By 1920, the total number of active cooperatives exceeded 14,000, with about 12,000 of them

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[1]Donald L. Kemmerer and C. Clyde Jones, *American Economic History* (New York: McGraw-Hill Book Company, Inc., 1959), p. 43.

[2]U.S. Department of Agriculture, *Farmer Cooperatives in the United States*, p. 54.

being marketing associations.[1] At this time, the major geographic areas of cooperative activity did not include the Southeastern section of the country to any significant degree. Rather, major impetus for this growth had been concentrated in the Midwest, Far West, and to some extent in the Southwest. Much of the growth of farmer cooperatives in this period was generated by their successful operations due, in part, to the favorable economic conditions for agriculture during this time. Moreover, the knowledge required to make such ventures effective was becoming more widespread. Activity on the part of both Presidents Roosevelt and Wilson during this period was also a facilitating factor. In 1908, President Theodore Roosevelt created the Country Life Commission which took an interest in cooperatives. President Woodrow Wilson in 1913 sent a commission to Europe to study cooperation and report its findings. The work done by this group subsequently led to the formation of the Farm Credit System.

Such efforts were important in that they provided much needed assistance in understanding the complexities of planning, organizing, and directing the cooperative form of enterprise. Management of the early cooperative attempts was on a pioneering basis of trial and error. Many of them were poorly organized, devoid of any concerted

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[1] *Ibid.*, p. 54.

planning effort, and plagued by the fact that farmers had no understanding of the significance and complexity of production controls. Even so, each succeeding step in the development of the cooperative form of organization contributed to management knowledge. Perhaps one of the major accomplishments was the recognition that management needed a uniform pattern for operation. The Rochdale principles furnished such a framework.

Some of the more important cooperative formations around the turn of the century included, in the 1890's, the California State Raisin Growers Association, Fresno; the Hood River Fruit Growers Union, Hood River, Oregon; and the Southern California Fruit Exchange, which later became the California Fruit Growers Exchange, and is now known as Sunkist Growers, Inc., Los Angeles.[1]

In the early years of the present century, the Farmers Educational and Cooperative Union of America was begun in Texas as an outgrowth of the Farmers' Alliance experience. It placed major emphasis on economic activities from the outset. At one time the Farmers Union, as it was more commonly known, was active in Texas, Louisiana, Arkansas, and Mississippi. Since then it has become especially active in Oklahoma, Kansas, Nebraska, Colorado, North and South Dakota, Minnesota, Montana, and Wisconsin.[2]

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[1]*Ibid.*, p. 57.

[2]*Ibid.*, p. 57.

Other major cooperatives formed during this time include: the California Walnut Growers Association, Los Angeles; Poultrymen's Cooperative Association, Riverside, California; the forerunner of Sun-Maid Raisin Growers Association, Fresno, California; and what is now known as the Western Farmers Association, Seattle, Washington.[1] Furthermore, immediately following World War I, the Ohio Wool Growers Cooperative Association, Columbus; the Maryland Tobacco Growers Association, Baltimore; and the Eastern States Farmers Exchange, headquartered in West Springfield, Massachusetts, were among significant cooperatives formed.[2] In 1920, the Cooperative Grange League Federation Exchange, Inc. (G.L.F.) was established with headquarters in Ithaca, New York.[3]

Influences on Cooperative Development

By the post-World War I business depression, the Aaron Sapiro era that emphasized cooperatives as a means of giving farmers control of crops in the marketplace was

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[1] *Ibid.*, p. 57.

[2] *Ibid.*, p. 57.

[3] Undated pamphlet received by mail from Agway, Inc., Syracuse, New York. In 1964, G.L.F. and Eastern States Farmers Exchange merged to form Agway, Inc., Syracuse, New York. In 1965, the Pennsylvania Farm Bureau Cooperative Association merged with Agway, Inc.

underway.[1] This era began at a meeting in Montgomery, Alabama in April, 1920, at which time Sapiro presented ideas that influenced the course of cooperative development through emphasis on commodity associations operating over extended geographical areas.[2] Up to this time, a local association had usually been the focal point in the organizing of farmer cooperatives. The Sapiro program suggested orderly commodity marketing through the formation of state or regional single-commodity cooperatives, each controlling enough of its respective crop to be a decisive factor in price determination.

Not all of the cooperatives formed during this time followed the Sapiro form of centralization, which, in effect, is an elaboration of the independent local cooperative. Some organizations established in the period began as a federation of local cooperatives. One of the

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[1]Aaron Sapiro, an attorney by training, is perhaps one of the most controversial individuals ever to be a part of the agricultural sector of the United States economy. His ideas on the legal aspects and financing of cooperatives were important contributions. For a complete review of the man and his ideas, see the article by Grace H. Larsen and Henry E. Erdman, "Aaron Sapiro: Genius of Farm Co-operative Promotion," *The Mississippi Valley Historical Review*, Vol. 49, No. 2 (September, 1962), pp. 242-268.

[2]R. H. Montgomery, *The Cooperative Pattern in Cotton* (New York: Macmillan Co., 1929), p. 31.

more notable of these was the Minnesota Cooperative Creameries Associations, Inc., the predecessor of Land O'Lakes Creameries, Inc., Minneapolis, Minnesota.[1]

From the inception of the economic depression of the 1930's to the end of World War II, there were a number of forces and events which left their mark on cooperatives. Since this period signals the beginning of The Cotton Producers Association, many of these factors will be subsequently discussed as they specifically affected this organization. It does seem appropriate at this point, however, to indicate the general nature of the cooperative movement as CPA began operations.

During the period from the early 1930's to the end of World War II, there was growth both in volume of memberships and of business of farmer cooperatives. As the size of the organizations grew, more complex operations became commonplace and there was increasing recognition of the importance of sound business principles. Also during this period, the incidence of combined marketing and purchasing services greatly increased, thereby creating new and more demanding situations calling for more efficient management and control. Processing of farm products and the manufacture of farm supplies by cooperatives became more widespread.

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[1]U. S. Department of Agriculture, *Farmer Cooperatives in the United States*, p. 58.

CPA, as it will be later seen, was a regional pacesetter in these further services for its membership.

Figures 2-1 and 2-2 summarize the trends in number of cooperatives and total membership for selected years since 1925. Data on these aspects of cooperative development prior to those years are not complete. It is evident from these figures and their supporting tables contained in Appendix A that there have been sizeable changes over the period shown. The number of cooperatives reached a peak in 1929-1930, and have shown a steady decline since that time. Reorganizations involving mergers, consolidations, and acquisitions have had an important influence on this downward trend in the total number of cooperatives. Memberships in cooperatives increased to 1951-1952, and have decreased steadily since that time, reflecting the decreasing number of farmers in the United States. The membership decline is slower than the decline in number of farmers in the United States, as more farmers join cooperatives and as present members join other cooperatives. The gross business volume of these cooperatives has been increasing steadily throughout the period for which data are available. Increases in both volume of farm products marketed and farm supplies purchased have led to these advancing volume totals. Figure 2-3 summarizes volume growth from 1921 through 1967.

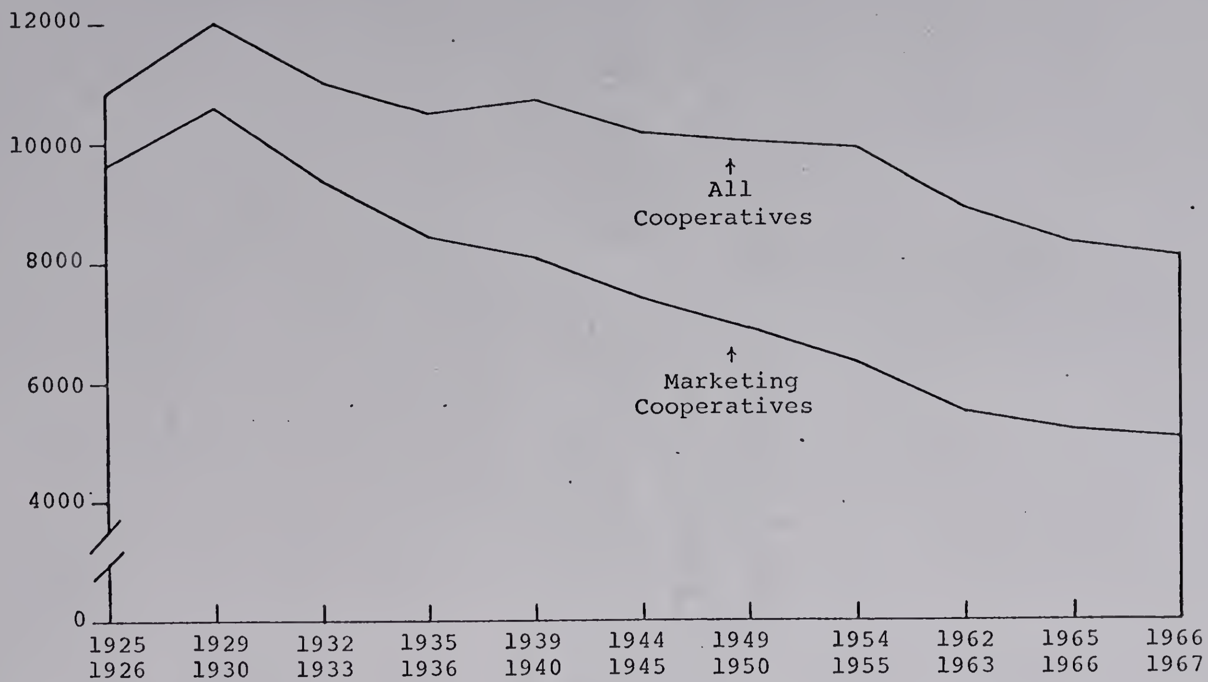

Figure 2-1. Estimated number of farmer cooperatives for selected years from 1925-1926 to 1966-1967

Source: Obtained from data compiled by Farmer Cooperative Service, U. S. Department of Agriculture. Complete table and sources in Appendix A, Table A-1.

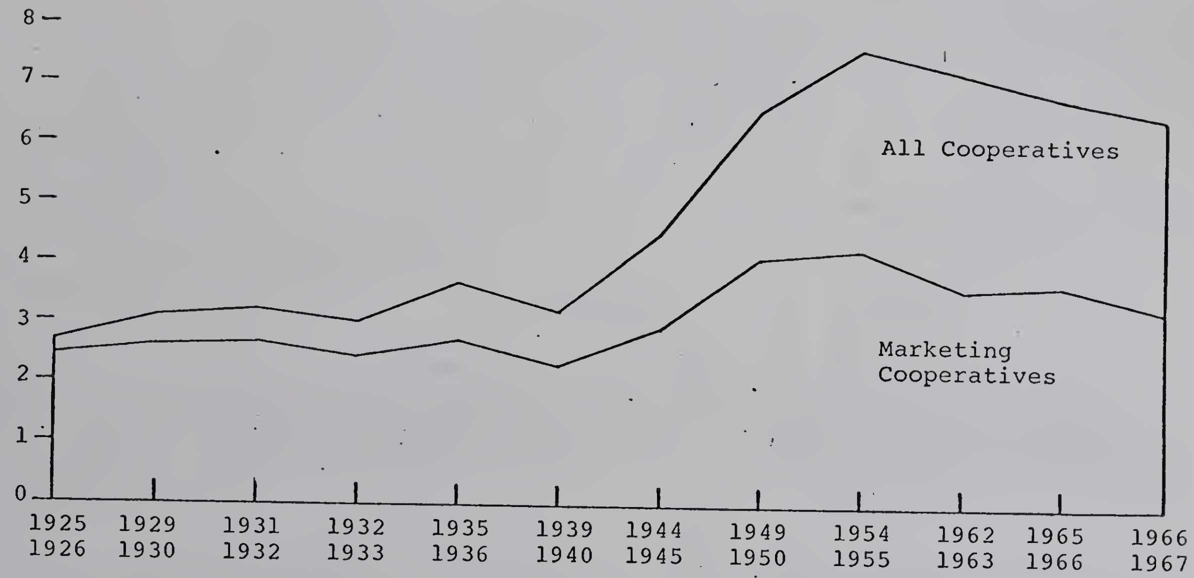

Figure 2-2. Estimated membership of farmer cooperatives for selected years between 1925-1926 and 1966-1967 (in millions)

Source: Obtained from data compiled by Farmer Cooperative Service, U. S. Department of Agriculture. Complete table and sources in Appendix A, Table A-2.

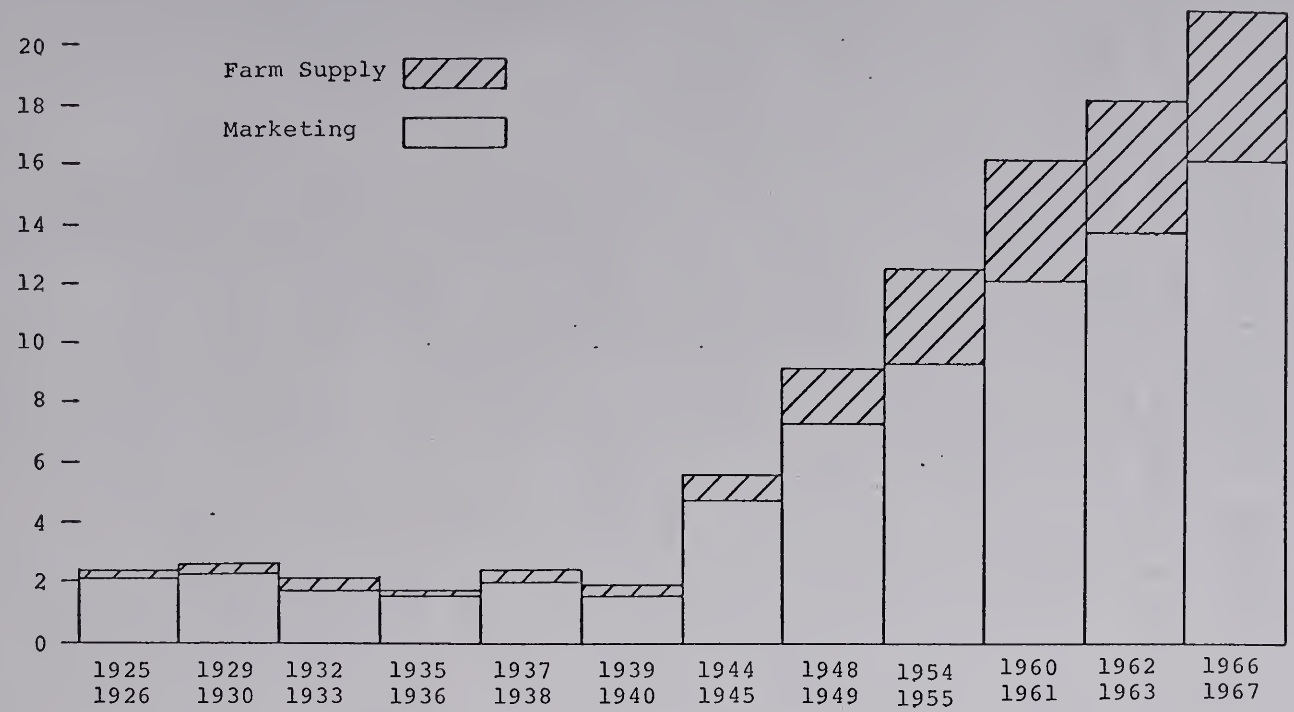

Figure 2-3. Estimated gross business volume of marketing and farm supply cooperatives for selected years between 1921 and 1966-1967 (in billions of dollars)

Source: Obtained from data compiled by Farmer Cooperative Service, U. S. Department of Agriculture. Complete table and sources in Appendix A, Table A-3.

Organization of Cooperatives

The increased emphasis on sound operations and long-range developments from the time of the Great Depression was facilitated by organizations and events of the immediately preceeding period, as well as by those occurring during that time. These factors resulted from a recognition on the part of government, cooperative leaders, and many farmers, of a need to develop a more congenial environment within which cooperative organization and development might take place. This was necessary because so many problems extended beyond the sphere of activity of individual associations.

One of the major general farm organizations that sought to provide such an atmosphere, by stimulating business cooperation among farmers, was the American Farm Bureau Federation. In the 1920's, through its various state and county affiliates, the Farm Bureau became an active influence and participant in the organization of cooperatives. In addition to assisting in the planning and organizing of cooperatives, the American Farm Bureau Federation often assumed expenses connected with preorganization activities, and, in some instances, furnished the initial capital. Ordinarily, the newly organized cooperatives repaid the funds so advanced. Presently, many of these cooperatives, initially sponsored by the Farm Bureau, provide marketing, as well as production supplies and ancillary services.

National Organizations

During the latter part of the 1920's, two national organizations appeared. These were the American Institute of Cooperation (AIC), and the National Council of Farmer Cooperative Associations. Both of these groups have been dedicated to efforts aimed at improving the economic situation of farmers across the nation.

The AIC was formed in 1925 to promote research and to provide information relative to the activities of cooperation, particularly in the legal, economic, and sociological phases. The institute serves as a clearing-house for information and is a primary disseminator of information of concern to farmer cooperatives. It is also an important vehicle for contact among cooperators, educators, business and professional groups, and governmental officials.

Cooperative leaders at the 1929 meeting of the American Institute of Cooperation created a new organization, originally known as the National Chamber of Agricultural Cooperatives. Later in the same year, the name was changed to the National Cooperative Council, and in 1940 again changed to its present name, the National Council of Farmer Cooperatives. The function of this organization centers mainly around the promotion of agricultural cooperatives to government agencies and others, but it also serves as a

means for efficient communication between cooperatives and the legal and political environment.

The Cooperative League of the U.S.A., which was organized in 1916, making it the oldest of the national organizations, should also be mentioned. This organization is a national federation of all types of cooperatives. It functions mainly in the areas of education of cooperatives in sound management practices and in educating the public to the benefits that may be derived from cooperative organization.

While it is inappropriate to discuss them specifically in this work, there are many national commodity organizations whose aims are largely economic and educational, which have contributed to a more favorable climate within which cooperatives might organize and prosper. Moreover, there are State Councils, organizations composed of cooperatives within a state, which serve cooperatives on the state level.

This brief synopsis of the organization and development of cooperatives is by no means exhaustive, but is sufficient to show the growth of cooperatives up to the time that The Cotton Producers Association began operations as well as to indicate the general trends of cooperative activity beyond that time. In subsequent chapters, specific developments in cooperatives will be examined as they relate to CPA.

Legal Framework for Cooperatives[1]

The Federal and State laws under which cooperatives now operate specify the rights and duties of such organizations rather clearly. Moreover, the Federal income tax status of cooperatives has been clarified by statute and by regulations. There were several noteworthy steps taken in building this legal foundation during the period 1920-1940. The following discussion of the legal aspects will be confined mainly to Federal legislation inasmuch as consideration of the various State acts would be outside the scope of this brief review. It should be pointed out, however, that the majority of states accepted a standard cooperative act, the Bingham Act of Kentucky, in various modified forms. This act in its several forms served as enabling legislation for the organization of a cooperative form of business. As will be subsequently discussed, The Cotton Producers Association was incorporated under such an act, specifically the Cooperative Marketing Act (Georgia), as amended.

The major legislative acts of national concern to agricultural cooperatives rest on the base law, the

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[1]The discussion of Federal legislation relating to cooperatives was drawn largely from publications of the Farmer Cooperative Service, particularly FCS Bulletin 1, *Farmer Cooperatives in the United States*, pp. 14-22.

Capper-Volstead Act, which specifically sanctioned farmer cooperatives that met certain requirements.[1] This act, passed in 1922, is often referred to as the Magna Carta for agricultural cooperatives. Essentially, this law provided that persons engaged in the production of agricultural products may act together in associations, with, or without, capital stock, for collective marketing, and further that such organizations may have associations in common. Under this law, marketing cooperatives may enter into agreements that bind their members to exclusive dealing, and they may make agreements that are tantamount to price fixing so long as the Secretary of Agriculture has no reason to believe that prices, by such action, are driven to an unduly high level. While the Clayton Act,

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[1]For an agricultural cooperative to come within the Capper-Volstead Act, it must be composed of

> . . . persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairymen, nut or fruit growers; must operate on a mutual basis for the benefit of its members as producers; and must conform to one or both of these requirements:
>
> - no member of the association may have more than one vote, or
>
> - the association may not pay dividends on stock or membership capital in excess of 8 percent per year, and must not deal in the products of nonmembers to an amount greater in value than that handled by it for members.

For further information, see: 7 U.S.C. 291-292.

1914,[1] guaranteed that nonstock agricultural associations would not be considered in violation of antitrust laws, this law clarified the rights of farmers to form marketing cooperatives without regard to organizational form. Such assurances were needed inasmuch as numerous cooperatives were harassed by a series of antitrust suits in State courts.[2]

An important second piece of legislation was passed in 1926 by Congress under the title of the Cooperative Marketing Act.[3] This act provided for a division of cooperative marketing in the U. S. Department of Agriculture. More specifically, in terms of the Act, such a division was to be established to provide service to cooperatives and their federations in the cooperative marketing of agricultural products, including such related activities as processing, warehousing, manufacturing, storage, as well as the cooperative purchasing of farm supplies, and any other appropriate cooperative activities.[4]

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[1] See Section 6 of the Clayton Act, 15 U.S.C. 12.

[2] Andrew W. McKay and Martin A. Abrahamsen, United States Department of Agriculture, Farmer Cooperative Service. *Helping Farmers Build Cooperatives*, Circular 31, June, 1962, p. 78.

[3] 7 U.S.C. 451-457.

[4] It is interesting to note that while there were, by this time, a number of purchasing associations in existence, and while this Act refers to cooperative

This legislation served to strengthen and formalize research and educational assistance to cooperatives which had been performed for several years by the Department of Agriculture. This formalized division was operated as the Cooperative Research and Service Division of the Farm Credit Association from 1933 to 1953. The separation of this activity from the Farm Credit Administration in 1953 was in partial recognition of the need to expand education and research efforts and to indicate further the degree of involvement with cooperatives on the part of the United States Department of Agriculture. The agency known from that time as the Farmer Cooperative Service was, in 1961, grouped with other agencies in the Department of Agriculture under the direct responsibility of the Assistant Secretary in charge of Conservation and Rural Development.

This agency has been active in the conduct of studies in the history, organization, and business methods of cooperatives in the United States and in other relevant areas of cooperation. Furthermore, the staff is available to advise groups interested in the formation of associations, as well as to provide statistics and forecasts of relevant agricultural activities to existing cooperatives. Much

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purchasing of farm supplies, the official title of the Act only specifies marketing. This was due to opposition on the part of competitive trade to purchasing associations which, despite waning opposition to marketing associations, continued strong at this time.

research and education activity otherwise beyond the scope of the individual cooperative is made available by this agency of the Federal government.[1]

The passage of the Agricultural Marketing Act of 1929 established the Federal Farm Board. Under this Act, the Board was given the task of encouraging the organization of farmers into effective cooperatives and of promoting the establishment and financing of such cooperatives. This Act also authorized a revolving fund of $500 million which, among other things, was to assist cooperatives and to establish government-owned commodity stabilization corporations.

Between 1929 and 1933, the Division of Cooperative Marketing operated under this Board and outside the jurisdiction of the Department of Agriculture. Work with cooperatives was conducted by this division under independent agencies until it was reunited with the Department of Agriculture when the Farm Credit Administration became a part of the Department of Agriculture in 1939.

Despite the failure of the stabilization operations of the Farm Board, services to cooperatives were in many respects successful. Many larger cooperatives or federations

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[1]For a complete summary of the evolution of the Farmer Cooperative Service, see the publication by Andrew W. McKay and Martin A. Abrahamsen, *Helping Farmers Build Cooperatives*.

of cooperatives were established. Some progress in the coordination of marketing cooperatives was made, but much remained to be done.

Legislation to deal with the credit needs of farmers has been of importance to cooperatives in general and to CPA in particular. A system of twelve intermediate credit banks was not used to the extent expected, possibly because during this time farmers were unable to provide either the capital or the leadership to establish their own credit institutions to use the facilities that had been created. In partial recognition of this fact, the Farm Credit Administration was created in March, 1933, and in June of that same year the Farm Credit Act of 1933 was passed.[1]

This Act authorized the formation of local credit cooperatives by farmers to make operating capital readily available to them. These cooperatives were known as production credit associations (PCA). Initial capital and a special staff to assist in the organization of these groups was also provided to farmers. The capital provided was to be gradually retired by the farmer-users. Thus a retail outlet for short and intermediate term credit available through the Federal intermediate credit banks was established.

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[1]Farm Credit Act of 1933, 48 Stat. 31.

In addition to providing a means of obtaining credit for farmers, this Act also provided for the organization and capitalization of thirteen banks for cooperatives. A section of the Act gave recognition to the specialized needs of farmers' cooperatives. On December 31, 1968, the last five of the thirteen banks for cooperatives retired the remaining stock owned by the Federal Government and all thus became completely owned by their borrowers.[1] These banks, in serving over 3,000 member cooperatives, are said to provide an estimated 60 percent of all credit presently used by farmer cooperatives in this country.[2] As will be seen, the regional bank utilized for financing by CPA, the Columbia Bank for Cooperatives, Columbia, South Carolina, has been an important source of financing, particularly in the early history of the cooperative when alternative sources were not readily available.[3]

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[1]W. R. Hoag and R. H. Erickson, "American Farmers Now Own $12 Billion Banking System," *News for Farmer Cooperatives*, Farmer Cooperative Service, U.S. Department of Agriculture, Vol. 35, No. 12 (March, 1969), p. 3.

[2]*Ibid.*, p. 15.

[3]On December 31, 1967, the summary balance sheet of the Columbia Bank for Cooperatives showed loans outstanding of over $139 million, about $53 million, or 38 percent of which, was owed by CPA. At that statement date cooperative investment in the bank was over $10.5 million, of which $4 million was held by CPA.

There are other important Federal statutes which specifically mention farmer cooperatives. Brief mention of them should adequately show the congressional policy that has evolved with respect to cooperatives.

The Packers and Stockyards Act, enacted in 1921, provided for public regulation of commission men on stockyards and requires that the legal rates that are established be collected and retained.[1] There is a section in this law which stipulated that this requirement shall not prohibit a cooperative of producers from making *bona fide* returns to members on a patronage basis of the excess earnings on their livestock. This is subject to any regulations which the Secretary of Agriculture may establish.

The Robinson-Patman Act, 1936, Section 4, states that limitations on price discrimination shall not prevent a cooperative association from returning to its members the net earnings of surplus resulting from its trading operations in proportion to their usage of the association facilities and services.[2]

The Securities Act of 1933 refers specifically to cooperatives in that it exempts securities issued by a

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[1]7 U.S.C. 207.

[2]15 U.S.C. 13b.

farmer cooperative if the organization meets certain requirements outlined in the Internal Revenue Code.[1]

The Agricultural Marketing Agreement Act of 1937 reaffirms that the Secretary of Agriculture should recognize and encourage those producer-owned and producer-controlled cooperative associations which are in conformity with policy set forth in existing Acts of Congress.

The Federal income tax status of cooperatives is presently defined by the Internal Revenue Code of 1954, as amended by the Revenue Act of 1962. Those farmer cooperatives qualifying under section 521 of the Code normally operate so that they have little or no taxable income. Nearly one-half of the existing associations do not qualify, thus they are liable for income tax on receipts devoted to the payment of a return on capital, and on receipts which are not paid to patrons as true patronage refunds in the manner set forth in the Code.[2] The Cotton Producers Association is a qualified cooperative. Since the matter of cooperatives and taxes is frequently a

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[1]15 U.S.C. 77c.

[2]U.S. Department of Agriculture, *Farmer Cooperatives in the United States*, p. 19. For specific details of the tax status of cooperatives, the pertinent sections of the Internal Revenue Code of 1954 relating to marketing and supply associations are 521, 1381, 1382, and 1383. The latter three sections comprise Subchapter T of the Code added by the Revenue Act of 1962.

criticism leveled at such organizational forms, it should be remarked that this discussion relates only to Federal income taxes. Indeed in terms of total taxes paid by cooperatives, particularly CPA, they are, in some counties in which they operate, among the largest tax payers. More discussion of this will occur in a subsequent section of this work.

Economic Environment for Agriculture in the Period from World War I to the Formation of CPA

The purpose of this section is to indicate the general nature of the economic environment for agriculture in the period just preceding the formation of The Cotton Producers Association. Also, the conditions facing the organization in its formative years will be surveyed.

World War I caused an immediate expansion of agriculture in the United States. Such prosperity, born of war, was only temporary. The war-encouraged growth in the agricultural sector, combined with scientific and technological progress, greatly increased productivity. This, over and above increased foreign competition on the return of peace, set the stage for two decades of exceedingly difficult years for the American farmer.

While the majority of sectors of the economy recovered relatively quickly from the short economic recession which occurred not long after the conclusion of

World War I, agriculture did not ever fully recover. Since the initial efforts of The Cotton Producers Association were confined to aspects of the cotton industry, it is relevant to examine that industry more closely.

From the standpoint of cotton producers, their industry was not highly prosperous even during the war years. In the years following 1920, the cotton industry experienced little, if any, prosperity. To this point, Melvin T. Copeland remarked in his report on raw commodity trends:

> In the three-year period, 1911 to 1913, the United States produced 64 percent of the raw cotton output of the world, and raw cotton was the major item in this country's export trade. In 1936, the world cotton crop was the largest ever grown, but the United States supplied only 37 percent of the total.[1]

Viewed from the position of the cotton farmer of Georgia, one of several shifts which substantially altered the raw cotton situation was most damaging. This, of course, was the expansion of the cotton growing industry further West, particularly into Texas and Oklahoma. The farms here were adopting new and more efficient methods of cultivation and harvesting on average acreages of 160 to 320 as compared with ten-acre patches in the old cotton country.[2]

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[1]Melvin T. Copeland, *A Raw Commodity Revolution*, Graduate School of Business Administration, Harvard University, Business Research Study No. 19, 1938, p. 16.

[2]*Ibid.*, p. 17.

When this is combined with increased foreign production and the growth of the rayon industry, the cotton farmer of the Deep South faced difficult times. More aspects of the economic situation faced by the farmer in Georgia will be explored in examining the beginning of The Cotton Producers Association.

Georgia Farmers Attempt to Organize[1]

As early as 1922, attempts to market cotton cooperatively in Georgia were underway. In that year, the Georgia Cotton Growers Cooperative Association was formed to market the cotton crop of farmer members in the state.

This organization, in its early years, pooled all cotton and made advances to the farmer members on a basis of about 70 percent of prevailing market price for the commodity at the time of delivery to the association. Attempts to market the cotton in an orderly fashion were made with the farmer members to receive the average pool price for the season. The pool plan would work to the satisfaction of the members so long as the price of cotton was rising over the course of the season, because a higher price would be obtained at the time of sale than would have

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[1]The following discussion is based largely on an interview held with D. W. Brooks, February 13, 1969.

been received at the time of delivery to the association. However, with a generally unfavorable commodity market, as has been mentioned, prices generally declined during the marketing season. This was largely true from 1923 to 1933, the period of operation of the Georgia Cotton Growers Cooperative Association. This, of course, meant that the farmer participating in the pool received an average price that was lower than that which he would have received if he had sold his crop immediately after it was harvested. Members were naturally dissatisfied with this situation and this was evidenced by a decreasing volume of cotton handled until 1926. In that year an optional pool arrangement was offered. This plan proved to be acceptable to members because they could have their cotton sold and receive their proceeds on any date which they selected. While this limited the flexibility of the association somewhat, it did enable an increase in volume handled to the point that relatively effective marketing practices could be followed. Yet cotton prices continued to decline as did other farm prices. (Average cotton prices in the State of Georgia for the years 1925-1967 are contained in Appendix B, Table B-1.)

The Federal Farm Board was organized in 1929, as earlier discussed, in an attempt to stabilize farm prices and develop cooperation among farmers. It announced that

it would lend money to cooperatives so that they could make advances to members for their cotton crop. The rate was around 16 cents per pound, a rate slightly below the price received for the 1928 crop. Yet prices continued to decline and the association could make sales of the cotton only at a loss.

The Georgia Cotton Growers Cooperative Association became a member of the newly organized American Cotton Cooperative Association, headquartered in New Orleans, Louisiana, in 1930. There were other state cotton marketing cooperatives as members of this group, which had as its purpose the financing, hedging, and selling agency for the member associations. Declining prices continued and the Federal Farm Board was unable due to a reduced budget to continue its established lending levels.

As was mentioned, with the change of administration in 1933, the Federal Farm Board was succeeded by the Farm Credit Administration. In that same year, a portion of the members of the Georgia Cotton Growers Cooperative Association filed a petition for receivership. The price of cotton to the grower had now dropped to five to six cents a pound. The association has issued more than $500 thousand in revolving fund certificates which were never capable of redemption because all of the assets of the association were pledged to the Federal Farm Board. Thus, with no

assets, the Georgia Cotton Growers Cooperative Association ceased operations in 1933.

During the years of operating troubles of that organization, a young agronomy instructor at the University of Georgia was starting a career which was to touch thousands of farmers over the years and to influence the agricultural economy of the Southeast. That he was well prepared for his work is indicated in a number of ways. D. W. Brooks was the son of a farmer and his early years on the farm at Royston, Georgia, brought him into contact with the variety of problems associated with the producing and marketing of cotton. He challenged many of his advisers when he announced that he would like to study agriculture at the University of Georgia. These, after all, were the days when farming and farmers were well versed in the traditional farming practices that had been handed down from father to son. Indeed, he did attend the University and received both his B.S. and M.S. degrees in Agriculture after which he taught there for three years.

His concern for the farmer was greatly intensified by the agricultural depression. He knew what the conditions were and he, by virtue of having, as he says, "attended school with or taught every county agent in the State," received regular reports on the steadily worsening situation. By the 1930's, desperate times began for the Georgia farmer.

As Brooks says again and again, "All the farmer was producing was poverty." Per capita farm income in the state dropped to only $72 a year; the price of cotton to a nickel a pound.

Having studied with keen interest the experience of European cooperative ventures and farmer cooperatives on the West Coast, Brooks felt that the farmers could improve themselves only by better production methods and by the development of their own efficient marketing systems. When a few of his farmer friends, some of whom had been members of the ill-fated Georgia Cotton Growers Cooperative Association, asked him to help them do some of the things that he had been telling them about for several years, Brooks had to make a choice.

The decision had to be a painful one and he sought the counsel of his wife and his friends. There were many who advised him against such a course of action, including his immediate superior at the University. In fact, to make his decision more difficult, he was offered a promotion to associate professor. Additionally, there were offers, certainly more attractive financially, to go into business for himself. Yet, ultimately seeking and receiving assurances from his wife, he decided that it was, as he said, ". . . too late for talk-teaching. Do-teaching will be a lot faster."

Having made this decision, he and five farmers met in late 1933 in a Carrollton, Georgia, warehouse to get underway what was ultimately The Cotton Producers Association. Brooks was made the general manager of this new organization which had no starting capital. It is a source of pride to him and an evidence of his dedication, that Brooks declined the $5,000 salary which his "partners" suggested. He says that he told them that, "A sure way to go broke is to start off paying me that kind of money. I'll start at $2,400 per year." This was less than half the proffered salary from the declined teaching promotion.

This new association, the Georgia Cotton Cooperative Association, headquartered in Atlanta. As evidence of the impatience of Brooks to get underway, the association was incorporated under Delaware laws where the charter could be obtained in one day as contrasted with the thirty-day period required to obtain a Georgia charter. The organization immediately began receiving cotton. Because it had no operating capital, arrangements were made with the American Cotton Cooperative Association (ACCA) to finance its operations and to let this fledgling organization participate equally with other members on a patronage basis in any savings obtained by the ACCA. In exchange for this aid, the cotton received by Georgia Cotton Cooperative Association would be delivered to the ACCA at the same price that had been advanced to farmer members.

It is natural that resistance would have been met by this new organization, if for no other reason than the problems associated with earlier group efforts. The drive for new members was carried on by Brooks on a day and night basis. By day he supervised activities of the new organization and by night he spoke to groups of farmers, a pattern he and his management team were to establish and maintain throughout the development and growth of this business. His early efforts resulted in the association handling nearly 40,000 bales of cotton in its first year of operation, at a savings which permitted the payment of a small cash patronage refund.[1]

The next two seasons, 1934-1935 and 1935-1936, brought further gains both in cotton marketed and in membership. In 1934-1935, cotton volume was about twice that of the first year in operation or in excess of 75,000 bales.[2] Such savings as were realized in these two years were retained in the association to provide working capital.

During these first years, survival was the important goal. The association had no capital or facilities. Because of the nature of its relationship

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[1]From financial records of The Cotton Producers Association.

[2]From records maintained by the cotton division of CPA.

with the ACCA, essentially operating as its agent, there was no real opportunity to accumulate the amount of capital necessary to implement those programs which would aid the farmer. Yet, during these first years of operation, an even better appreciation of the scope of the task that had been undertaken was obtained by actual experience in the field. Moreover, the nucleus of an administrative organization began to materialize. Indeed, the first employees of the association know better than anyone how far and how fast the association has developed, despite what seemed at times to be insurmountable obstacles. Additionally, they know the value of the dedication and the indefatigable drive of D. W. Brooks. Those were the principal assets on which the organization relied in its attempts to survive.

In 1935-1936, it was decided for several reasons that the Georgia Cotton Cooperative Association should operate under a Georgia charter of incorporation. Since it was not legally possible to transfer the assets and membership from one association to another, the Delaware corporation was liquidated and all farmers paid on a patronage basis all of the net margin that had been accumulated. This amounted to reimbursing farmers the amount of fifty-three cents per bale of cotton as a liquidating dividend.[1]

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[1]From financial records of the association.

Concurrent with this liquidation in June, 1936, the successor organization, The Georgia Cotton Producers Association was formed. Its problems and attainments are the subject of Chapter III.

CHAPTER III

FOUNDATION YEARS: 1936-1937 TO 1939-1940

Objectives of Organization

It has been said that, "cooperatives are born of adversity."[1] While such a statement contains an element of truth regarding the beginnings of The Cotton Producers Association, it cannot be said that the organization has always reacted only to the pressures of immediate problems. D. W. Brooks and the other policy makers of CPA have continually recognized the larger problems facing the farmer in the Southeast. Brooks, like other prudent businessmen, put sound and sophisticated thinking into the organization from its inception. Recognizing full well the dire economic conditions facing the Georgia farmer, he knew, at the same time, that unless the association was soundly conceived and adequately financed, it would never be equal to the task of assisting the farmer on a long-range basis. From the outset this was the objective of the founders of CPA.

This broad objective of increasing economic returns to the members of the group appears to be common to the

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[1]Exact source unknown, but widely quoted in the literature on cooperatives.

majority of agricultural marketing cooperatives. Related goals sought for its members by the management of The Cotton Producers Association included an increased standard of living, price stability, reasonably priced inputs, improvement in technical methods of production and distribution, maintenance of the family farm, and improved bargaining power. While these goals include social and cultural elements, they are closely linked and instrumental to the overall objective of increased economic returns to the membership.

Building a Solid Foundation

Yet in these critical first years of the organization, little in the way of accomplishment of such seemingly unattainable objectives was patently obvious. The successes, while quite important in long-range terms, were limited to the gaining of experience in the cooperative form of organization, in developing a nucleus of competent personnel, and bringing into the membership farmers who had faith in, and determination for, the organization to succeed.

Perhaps one of the more important and favorable outcomes of this early cotton marketing activity, despite the fact that it did not present the opportunity for accumulating working capital, is summed up by S. H. Burns, one of the founders of CPA.

> Mr. Brooks [had] said he would take the job [of managing the cooperative] if he could advance the farmer the full market price for his cotton at the time he turned it over to the association . . . we did pretty well advancing farmers the market price for their cotton at the time they delivered it. We did business on the square in Carrollton [Georgia], like the other cotton buyers. You know—we found out one thing in a hurry—the other buyers had to pay the farmer what his cotton was worth, and non-members were getting as much for their cotton as members. Our association was helping all farmers get more for their cotton.[1]

The Georgia Cotton Producers Association which was chartered under Georgia law in June, 1936, started like its predecessor, with no assets and no members. While a new board of directors was elected, the same management and personnel were retained from the liquidated, Delaware chartered, Georgia Cotton Cooperative Association. The new association became a member of the American Cotton Cooperative Association (ACCA) under the same arrangements in effect for its predecessor. During the period 1936 to 1940, in the marketing of cotton, the organization operated as an agency for ACCA and was, therefore, reimbursed actual operating expenses. This, of course, precluded any opportunity for accumulating net margin from that activity.

Conditions of Membership

The Georgia Cotton Producers Association, as it was to be known until the corporate charter was amended in

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[1]"S. H. Burns Carrollton, Georgia Coop Grandaddy," *Dixie Co-op News*, Vol. 1, No. 12 (July, 1951), p. 6.

October, 1943, changing the name to The Cotton Producers Association, was a cooperative corporation organized under the Cooperative Marketing Act (Georgia), as amended. It was incorporated as a non-stock organization in which members were not required to pay a membership fee or membership dues. Any producer of agricultural products or cooperative association of such producers was eligible to apply for membership and subsequent to approval by the board of directors become a member. Each individual member and member association was entitled to one vote in the control and affairs of the association. This one vote per member provision has remained throughout the history of the organization.

Specifically in regard to eligibility for membership, the bylaws[1] of the Association provide that:

> Any person, firm or corporation engaged in the production of farm commodities, including livestock and poultry, including the lessees and tenants, or the lessors or landlords, of land used for such production, provided such lessors or landlords receive all or part of the rental in farm products, and any cooperative association organized under the cooperative marketing laws of this (Georgia) or any other State, may be admitted by the board of directors as a member of the association.

The bylaws further provide that:

> Any person, firm or corporation eligible to membership under these bylaws may apply for membership in such

[1]For further details see the articles of incorporation and bylaws in Appendix C.

> manner as may be prescribed by the board of directors. All members shall subscribe to a marketing and/or purchasing agreement, in a form prescribed by the board of directors, or shall sign some other document which by its terms embodies by reference the marketing and/or purchasing agreement then in effect and on file with the secretary of the association. The board of directors shall prescribe, from time to time, the general marketing and/or purchasing agreement then in effect, and shall cause one copy thereof to be executed by the president, attested by the secretary, and corporate seal of the association, to be filed with the secretary, and same shall be the general marketing and/or purchasing agreement of the association until a new one is properly authorized by the board of directors, executed by the president as aforesaid, and filed with the secretary. The association may have different contracts with its members varying in terms and conditions of the contract of any member, provided the member assents thereto; and such modification, variation or alteration shall not affect the contracts between the association and other members; nor shall the consent of other members be necessary to effect such modification or change.[1]

The membership agreements run for a period of ten years unless canceled in writing by either party. However, if a member fails to deliver farm products to, or purchase supplies from, the association for a period of three consecutive fiscal years, he will be placed on an inactive list until such time as he again delivers farm products to, or purchases supplies from, the association. While a member is on the inactive list, he, under the terms of the bylaws, shall not be entitled to a vote or voice in the affairs of the association.

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[1]Specimen copies of membership agreements appear in Appendix D.

Membership Growth

During the period 1936 to 1940, membership in the association grew steadily to a total membership of over 40,000 individual farmer-members located in the states of Georgia and Alabama. There were seven member cooperative associations, predominantly local in scope of operations, reported in the fiscal year, 1940-1941. Table 3-1 contains detailed figures of this growth.

The Board of Directors

During this period the Board of Directors consisted of nine men, one director each from the nine election, or voting, districts. Members of each respective district elected a director to serve for a term of three years with terms staggered so that three directors would come up for election each year. An allowance not to exceed ten dollars per day was provided while directors were attending board meetings; however, there was no actual compensation for services.[1]

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[1]According to the most recently amended bylaws, a copy of which is contained in Appendix C, no compensation is paid for services other than reimbursement for actual expenses incurred in travel by the individual on official business of the association, along with a per diem of $25, with a $50 minimum, plus expenses incurred while attending meetings of the Board or conferences.

Table 3-1

Membership of The Georgia Cotton Producers Association, 1936-1937 to 1940-1941

Year	*Individual Farmer Members*	*Member Cooperative Associations*
1936-1937	21,867	. . .
1937-1938	32,885	2
1938-1939	35,680	4
1939-1940	37,007	4
1940-1941	41,370	6

Source: John H. Lister and Clarence E. Pike, *The Cotton Producers Association*, Farm Credit Administration, U. S. Dept. of Agriculture, Circular C-131, March, 1948, p. 8.

The names and residences of those elected to serve for the first year and who were to serve as incorporating directors until their successors could be elected and qualified are listed in Table 3-2.

Each of these directors was subsequently elected as the representative from his respective district.

Election Districts

Subsequently the districts which were originally delineated have been changed as the scope of operations has been broadened. This has been necessary to maintain the original intent of equitable representation to members throughout the territory served by The Cotton Producers Association. As of June 30, 1968, there were ten districts and four corporation districts[1] which had been added at various times after the original organization planning. A complete listing of the areas comprising each of these subdivisions is contained in the latest amended bylaws of The Cotton Producers Association in Appendix C.

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[1]The corporation districts, four in number and encompassing the territory served by The Cotton Producers Association were created to provide specific representation for the cooperative corporations which are members of the Association. The bylaws provide that: "a Corporation District Director shall be a duly elected Director of a cooperative corporation being a member of this Association and having its principal office within the territorial limits of the corporation district from which he is elected."

Table 3-2

Names and Residences of Original Directors of
The Cotton Producers Association

Name	*Residence*	*County*	*State*
S. S. Johnson	Silver Creek	Floyd	Georgia
John F. West	Calhoun	Gordon	Georgia
S. H. Burns	Clem	Carroll	Georgia
W. P. Sewell	Atlanta	DeKalb	Georgia
George S. Rees	Preston	Webster	Georgia
H. M. Paulk	Fitzgerald	Ben Hill	Georgia
W. C. Hodges	Statesboro	Bulloch	Georgia
J. J. Pilcher	Wrens	Jefferson	Georgia
G. W. Woodruff	Winder	Barrow	Georgia

Source: Official records of the Board of Directors, The Cotton Producers Association.

The current bylaws also provide for the election, in addition to those already discussed, of three directors at large. In addition to membership in the association, one shall be engaged in the growing of cotton, one in the growing of pecans, and one in the growing of peanuts. Staggered three-year terms are provided for in the governing rules of the organization. Further details on the board of directors as presently constituted appears in a later section.

Powers and Duties of Directors

The powers and duties of the Board as originally defined in 1936 in the bylaws were:[1]

Powers of Directors

1. To conduct, manage and control the affairs and business of the association, and to make rules and regulations for the guidance of the officers and management of its affairs;

2. To appoint and remove all officers, agents, and employees of the association, prescribe their duties, fix their compensation, and may require from them bond in such form and in such amount as may be deemed necessary.

3. To select one or more banks to act as depository of the funds of the association and to determine the manner of receiving, depositing and disbursing the funds of the association, and the form of checks, and the person or persons by whom the

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[1]These powers and duties remain the same in the most recently amended bylaws, a copy of which is contained in Appendix C.

power to change such banks, and the person or persons signing said checks and the form thereof, at will.

4. To join with individuals, firms, partnerships or other associations or corporations to form a non-profit cooperative association, with or without capital stock, by entering into and executing agreements of merger or consolidation with any such entities, which power shall be exercisable without prior or subsequent approval by the members of this association.

Duties of Directors

1. To keep a complete record of all its acts and of the proceedings of its meetings, and to present a full statement at the regular annual meeting of the members, showing in detail the conditions of the affairs of the association.

2. To cause to be installed such a system of book-keeping and auditing that each member may know and be advised from time to time fully concerning the receipts and disbursements of the association.

3. To appoint a Manager, who shall hold office at the pleasure of, and on terms and conditions set by it. The manager cannot serve in the double capacity of Manager and Director.

4. To carry out the marketing and/or purchasing contracts of the association and the grower.[1]

General Conduct of Board

The Board of Directors hold, immediately following the annual meeting of the membership in December of each year, a regular meeting which has as its main purpose, the election of officers for the next year. Originally the

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[1]Taken directly from the original bylaws of the organization, a full copy of which is contained in Appendix C.

officers included a president, a vice president, a secretary and a treasurer.[1] The latter two officers did not have to be elected from the membership. Also at this annual meeting, an executive committee of five members, including the president and vice president, were to be elected from among the membership of the board to serve for a period of one year.[2]

The board has throughout the history of CPA followed the practices begun in these early years. Specifically, the board has served as a general policy-making group which has never involved itself in the actual management of the affairs of the Association on a regular basis. The counsel and management abilities, first of D. W. Brooks and his staff, and since June 1, 1968, of C. W. Paris and his staff, have been relied upon heavily for management of the business on a daily basis. Perhaps more importantly, however, these men and their staffs have provided the necessary background analysis and planning for the development of the association along orderly and efficient lines. At the same time the board, by virtue of its composition, has been able to provide invaluable advice and recommendations based on each board

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[1]Over the years the number of officers to be elected has been expanded as will subsequently be shown.

[2]Under the most recently amended bylaws, this five-member committee includes the president and senior vice president.

member's intimate knowledge of the conditions and needs of the membership in his district.

The value of the board is further enhanced by its ability to communicate to farmers, in the respective areas which are served by each member, greater detail on the nature and purposes of the various activities undertaken for the benefit of the membership. As will be subsequently seen, this role has assumed more and more importance as the corporation has expanded and diversified its operations.

Taking into account these various factors, it would appear that the Board of Directors, as it has been constituted, would be especially effective not only for its policy formulation activities and guidance, but also for its close identification with the membership. The sharing of proximity of interest and of location to the members whom he represents should make the potential contribution of each board member much greater in many respects than that of his non-cooperative form of enterprise counterpart.

The Offices of Secretary and Treasurer

D. W. Brooks was elected to the office of Secretary upon organization of the association and he was to hold that office as well as the title of General Manager until his retirement from day-to-day management responsibility

of the organization.[1] C. B. FunderBurk was elected to the office of Treasurer by this first Board of Directors. He too, was to be engaged in the active management of the cooperative until his retirement some twenty-nine years later. FunderBurk was experienced in farm organizations since he had been associated with them from the time of leaving college at the Georgia Institute of Technology. It has been remarked by employees of the association and members alike, that these two men made up a team that was, in large measure, the reason for the continued existence of CPA during those early years, when the agricultural situation in the South was most unfavorable. The team, as several longtime observers who wish to remain nameless put it, consisted of Brooks with ideas and indefatigable drive and FunderBurk with the financial expertise necessary to get these ideas into practice. While he probably would not admit it, FunderBurk lent some credence to this observation when he said with a sparkle in his eye, "Our persistence in getting into something new has kept us continually short of working capital."[2] He also made the observation,

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[1]Concise biographical sketches on all of the original officers active in day-to-day management, as well as information on the present officers is contained in Appendix E.

[2]From an interview with C. B. FunderBurk on March 24, 1969, in the offices of The Cotton Producers Association, Atlanta.

as have many others in the association, that each new venture was entered at the request of the farmer-members.[1]

Operations During the Period 1936-1940

This entire period was characterized by heavy efforts to survive. The principals knew that if the cooperative were to exert a powerful influence on farmers' incomes and activities, then a solid foundation would have to be laid in these early years.

Cotton, of course, was the principal single source of farm income for both Georgia and Alabama during the early years of organization. It was also the principal single source of farm income in South Carolina when CPA extended its cotton marketing services into that state some ten years later. Therefore it is only natural that the first services offered were cotton marketing services. Table 3-3 shows the total production of cotton in the

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[1]While there is much truth in this, the writer feels that it understates the role of guidance played by Brooks, FunderBurk, Paris, the board members and other key contributors to the rapid expansion and diversification which have characterized the growth of CPA. Furthermore, having spent time with these officers and key employees, the writer cannot help but venture the opinion that if "Old D. W.," as some affectionately have called him since the beginning, explained an idea to the membership, they could not help but request that the venture be undertaken. The active management has served to bring to the attention of the membership needed or profitable avenues of growth. This will be demonstrated amply in succeeding sections.

Table 3-3

Production of Cotton in the States of Georgia and Alabama for the Years 1929-1940

(in 500 pound gross weight bales)

	1929	*1930*	*1931*	*1932*	*1933*	*1934*
Georgia	1,343,000	1,593,000	1,393,000	854,000	1,105,000	968,000
Alabama	1,342,000	1,473,000	1,420,000	947,000	969,000	950,000
Total	2,685,000	3,066,000	2,813,000	1,801,000	2,074,000	1,918,000

	1935	*1936*	*1937*	*1938*	*1939*	*1940*
Georgia	1,059,000	1,086,000	1,500,000	852,000	915,000	1,010,000
Alabama	1,059,000	1,145,000	1,631,000	1,081,000	785,000	779,000
Total	2,118,000	2,231,000	2,131,000	1,933,000	1,700,000	1,789,000

Source: For the years 1929-1933: U. S. Department of Agriculture, *Yearbook of Agriculture, 1935* (Washington, D. C.: Government Printing Office, 1935). For the years 1934-1940: U. S. Department of Agriculture, *Agricultural Statistics, 1939-1968* (Washington, D. C.: Government Printing Office: 1968).

states of Georgia and Alabama in the years, 1929-1940. Some evidence of decreasing total production is seen, however, production remained close to two million bales at the end of the period.

Much of this area had been under cultivation for over 100 years, and in some cases up to 200 years, with the majority of farmers following the one-crop system of farming.[1] This fact, coupled with the failure of the majority of farmers to follow any soil conserving practices had led to a general depletion of the soils. Heavy applications of fertilizer to most soils are required to produce optimum results. Cotton, in particular requires large amounts. The management of CPA recognized that several programs needed to be implemented to improve this situation relative to the principal crop of the farmer in Georgia and Alabama.

Various Programs Needed by Farmers

These programs, revolving around action taken to influence economic returns of the membership, can be classified into the following categories: (1) influencing the efficiency of marketing; (2) influencing the efficiency of production; (3) influencing the supply of the product(s);

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[1]John H. Lister and Clarence E. Pike, *The Cotton Producers Association*, p. 4.

(4) influencing the demand for the product(s); and (5) influencing governmental programs at all levels in terms favorable to long-run economic efficiency of product categories and to the agricultural industry of the region.

Brooks was clearly thinking in terms of such goals when he told the fledgling cooperative membership as they were getting underway that:

> We've got to get on the profit side of agriculture. Small farmers like us can no longer make the grade just by producing raw materials. To get on an equal footing with large corporate farms and other big businesses, we've got to pool our resources, buy—and later manufacture—our own supplies in wholesale quantities.[1]

He concluded by saying that they must operate their own warehouses, feed mills, stores, etc.[2] One can imagine how members unable to afford good shoes must have initially reacted to such daring ideas. Yet those who stayed around, and they were a numerous and ever growing group during these early years, were to see that such notions were not only possible, but attainable in a relatively short span of time. It was the intent of the founders of the association to use whatever means, which could be obtained through group action, to further the improvement of the

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[1]Allen Rankin, "A Super-Farmer Attacks Global Poverty," *The Atlanta Journal and Constitution Magazine*, December 10, 1967, p. 7.

[2]*Ibid.*, p. 7.

economic positions of the individual members, without leveling them off or averaging them down. As one authority said, writing of the cooperative as a form of enterprise in this period, "It seeks to deal with society as it is (rather than to reform it). . . . It deals with first things first, and as it finds them, it leaves big things until it gets to them. Withal, it is a legal, honest, and honorable enterprise."[1]

Improved Cotton Marketing

The Georgia Cotton Producers Association, taking first things first, initially concentrated on the cotton marketing situation. Because of the condition of the market that prevailed for cotton, the existing inequitable marketing methods, plus the financial constraints of the young cooperative, such a program seemed to offer the highest use of whatever capabilities the organization had.

Operations in the first year of the successor organization were confined to the purchasing of cotton as an agent for ACCA. It was apparent to Brooks and to the board that, if financing were ever to be accumulated for expanded and more beneficial operations, more than handling of raw cotton as an agent for another cooperative would have to be done.

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[1]H. E. Babcock, "Cooperatives, the Pace-Setters in Agriculture," *Journal of Farm Economics*, Vol. 17, No. 1 (February, 1935), pp. 153-156.

Additional services in the form of a cotton warehouse seemed to be the logical next step. The principal hurdles to overcome in deciding upon this course of action were both financial and administrative.

Capital Requirements

The financial problem was handled in part by the securing of $2,100 from farmers in and around Carroll County, Georgia. This rather nominal amount, by current standards, raised largely $5 to $10 from individual farmers is often referred to as the initial capital of the organization. Ten-year debentures at a four percent rate of interest and callable at any time were issued by the association to subscribing local farmers. Additionally, notes were obtained from other farmers to a total of $6,500.[1]

The Citizens and Southern National Bank in Atlanta loaned money on these farmer notes and the Columbia Bank for Cooperatives, Columbia, South Carolina, loaned the necessary balance needed to purchase a fire-damaged cotton warehouse.[2] The purchase of the warehouse in Carrollton, Georgia was completed in about thirty days.

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[1]C. B. FunderBurk, "Great Depression Demonstrates Faith and Determination of Georgia Farmers," *Dixie Co-Op News*, Vol. 4, No. 11 (June, 1954), p. 5.

[2]*Ibid.*, p. 5.

Organizational Structure

Administratively, an organization structure had to be developed to enable servicing farmers on the local level. This was accomplished by the organization of the Farmers Mutual Warehouse Association of Carrollton, Incorporated, on December 21, 1927.[1] This local cooperative was established to operate the cotton warehouse, the property being leased from CPA.

This concept of local organizations was to be the pattern throughout the development of the association. From the outset, it has been the policy of CPA to require that farmers in the area furnish a considerable part of the financing for a facility, with the association providing the remainder of needed funds to get operations underway. Additionally, the requirement that a sufficient number of local producers become actively involved has been the rule. Without such involvement, financial and operative, the management realized that benefits and progress would not be as likely to occur. The locally owned and controlled Carrollton association was, of course, to be a member of the Georgia Cotton Producers Association and CPA, in turn, to be a member of the mutual warehouse association. In

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[1]Taken from a speech by C. W. Paris, then Vice President and Assistant General Manager of The Cotton Producers Association, to the Mid-Year Agency Conference, January 5, 1967.

this way a closer working relationship was assured. Formalization of procedures regarding the nature of the relationship of CPA to local associations continues along more lines as other associations are added over the years. More will be said of this later.

The Objectives of Local Organizations

When the Carrollton association began receiving cotton in 1937, it was hoped that two objectives might be realized. First, CPA felt that the mutual warehouse plan would provide adequate cooperative storage service for itself and local farmers at a savings in storage costs. Probably more importantly, however, was that the warehouse provided licensed weighing and grading services so that farmers could be assured of a fair price at the time of marketing their cotton. The four cotton graders hired, said Brooks, ". . . guaranteed local farmers that they would receive premium prices for quality cotton."[1] Prior to this time, according to Brooks, farmers had received the price set in the local market regardless of the quality of their cotton.

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[1]Interview with D. W. Brooks in the Atlanta offices, March 24, 1969.

[2]*Ibid.*

The association did not operate under a compulsory marketing agreement with farmers. That is, the members were permitted to deal with the organization when it was to their benefit to do so.[1] Producers liked this relationship because the association was functioning in its capacity to give the cotton farmer some sort of market protection, in addition to causing marketing practices to undergo change. Not utilizing a compulsory market agreement also allowed CPA to fulfill one of its avowed purposes upon organization which was that "no farmer would ever be able to say he had lost money by doing business with The Cotton Producers Association."[2]

Complete Cotton Marketing Services

The opening and successful operation of this 10,000-bale capacity warehouse made complete marketing services available to members in this area, including loans and the services of government licensed classers and weighers, as mentioned. According to S. H. Burns, who was the first president of the Carrollton cooperative warehouse,

> . . . by the end of the second year [of operations], the warehouse was hardly big enough to take care of

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[1]"Cotton Producers Association Makes Steady Growth," *Dixie Co-Op News*, Vol. 1, No. 1 (August, 1950), p. 4.

[2]*Ibid.*, p. 4.

> the cotton farmers marketing through the association. One time we got so jammed at the warehouse, and couldn't take in any more cotton for a few days, that the price broke from one-half to one and one-half cents with no change in the spot markets.[1]

Brooks also addressed himself to the effect of a local warehouse operation and to the efforts of CPA on cotton prices when, in 1950 after a number of warehouses were in operation, he wrote:

> Time and time again, farmers have found that when their cooperative was not in a position to handle their cotton temporarily, due to a lack of storage space or some other such condition, the price of cotton in their locality would often decline as much as $5 or even $10 per bale in thirty minutes to an hour with no change in New York futures. Although it is very difficult sometimes to show all the good that farmers do for themselves by working together cooperatively, there is enough evidence from time to time to show that the income of farmers has been raised many millions of dollars even in the cotton belt through the operation of their own associations.
>
> In addition to performing the marketing service as outlined above, the cotton cooperatives have constantly made the Government loan immediately available to its [sic] members in towns where a cotton cooperative representative was present. Since the beginning of the program in 1936, members of cotton cooperatives have made hundreds of millions of dollars as compared to the price which they would have received for their cotton if the loan had not been made readily available to them when they brought their cotton to town.[2]

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[1] "S. H. Burns Carrollton, Georgia Coop Grandaddy," *Dixie Co-op News*, Vol. 1, No. 12 (July, 1951), p. 6.

[2] D. W. Brooks, "Your Co-Op and You," *Dixie Co-Op News*, Vol. 1, No. 1 (August, 1950), p. 2.

Alternative Methods of Marketing Offered

The reference by Brooks to the government loan indicates one of the four options or pools which were available to the farmer in marketing his cotton through the association. The one to which he referred is known as the loan pool. The other options are the immediate fixation pool, the call pool, and the factor pool. A brief description of each of these follows.[1]

Loan pool.—The Georgia Cotton Producers Association began in 1936 and has continued yearly since then to make a contract with the Commodity Credit Corporation under which the association makes cotton loans to its members on the same basis as cotton loans are made to individual producers by the government. Under this program the government loan program has been extended to the members of CPA with the association acting as agents for its members in delivering to the Commodity Credit Corporation all unsold cotton.

A farmer, deciding to place his cotton in the loan pool, delivered the warehouse receipts covering the cotton to the appropriate representative of the association as security for the loan which he received at that time, made on the same basis as the Commodity Credit Corporation would utilize.

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[1]The description of the options is based on interviews held with members of management including D. W. Brooks and P. L. Brauner during December, 1968 and March, 1969.

Under the program the farmer could order his cotton sold at any time prior to the Government taking title, which over time has ranged between one and two years.

Patrons of the pool participated in the savings or losses of the association on a patronage basis provided the cotton were marketed by the association during that season. When the association becomes divisionalized, patrons will share in the savings or losses of the cotton division.

Immediate fixation pool.—Under this pool, the farmer delivers his cotton or warehouse receipts to the association's cotton receiving agent and receives a cash advance based on the market price of his cotton as of the delivery time. Such advances would normally represent the full sales value of the cotton on the local market. Title to the cotton immediately passes to the association. Hedging is accomplished by the association as soon as is practicable to protect against price fluctuations. The farmer receives no further payment until the end of the season when the savings and losses of the association are determined.

Call pool.—Under this arrangement, the producer delivers his cotton or warehouse receipts to the appropriate CPA representative on the local market. Grade and basis are determined as of that day as was true in the immediate fixation pool. Since the farmer does not wish to fix the price on that day, he is advanced full market value less a predetermined margin. Title passes to the association and the

cotton is handled the same way as that in the immediate fixation pool. When the farmer wishes to fix the base price, he notifies the association where the predetermined price is adjusted to the fixation price and the farmer is paid any amount due him. The association then hedges the cotton. The patron shares in savings of the association just as he would under the immediate fixation pool.

Factor pool.—Under this final option, the farmer delivers cotton or warehouse receipts covering his cotton to the representative of CPA on the local market. He may, if he so desires, receive an advance of approximately 70 percent of the local market price at delivery time. Under this plan, title remaining with the producer, the cotton is held until it is ordered sold by the member. At the time the farmer fixes the price of his cotton, the method of settlement used in the immediate fixation pool is used.

Especially during the early years of the organization, farmers in this region had been accustomed to selling their cotton for the full market value immediately following harvest. This custom arose and continued primarily because the great majority of farmers were small operators whose financial position was not sufficiently strong to allow them to accept a partial advance and wait for the full settlement. Moreover, this immediate settlement was necessitated due to the widespread use of crop mortgages for the purchase of

seed, fertilizer, and other production supplies, the holders of which generally forced payment as soon as the crop was harvested. For these reasons the immediate fixation pool was widely used. They also serve to explain the relatively low degree of acceptance of the factor pool even when cotton prices were more favorable to the farmer.

First Warehouse Association a Model

The Carrollton warehouse performed up to expectations and served as the model for warehouse associations at Dawson, Georgia in March, 1938, Dublin, Georgia in September, 1938, and LaGrange, Georgia and Hawkinsville, Georgia in late 1940. Therefore, going into the war years, CPA was still engaged only in cotton marketing activities, but was providing complete cotton marketing services through five cotton warehouses. Cotton receiving representatives were operating in Georgia, Alabama, and South Carolina.

Volume of Business and Net Margin

Since CPA was still operating as an agent for ACCA prior to the 1940-1941 season, the association, as such, had no sales during the years up to that time. Table 3-4 shows volume of business, net margins, total assets and total facility investment of the association for the years 1936-1937 through 1939-1940.

Table 3-4

Volume of Cotton Marketed, Net Margins, Total Assets and Facility Investment, 1936-1937 to 1939-1940, of The Georgia Cotton Producers Association

(cents omitted)

Year	*Cotton Marketed*	*Loan Cotton Received*	*Net Margin*	*Total Assets*	*Total Facility Investment*[a]
	Bales	*Bales*	*Dollars*	*Dollars*	*Dollars*
1936-1937	132,010	. . .	416	3,156	. . .
1937-1938	106,579	4,760	1,503	54,780	33,562
1938-1939	39,318	11,563	4,600	258,299	221,609
1939-1940	41,156	895	3,384	500,000	275,437
Total	319,063	17,218	$9,903		

Source: Data for this table were obtained from annual audits of the association prepared by professional auditing firms.

[a]Shown at cost.

Because of this agency relationship existing during the period under review, the net margins shown in Table 3-4 resulted from savings on cotton marketing operations through ACCA, patronage refunds from farmers' mutual warehouse associations on cotton stored by CPA, and also savings from trucking operations of The Georgia Cotton Producers Association. The warehouse associations were the prime reason for increasing net margins during this period.

While the savings from operations during the period, 1936-1937 to 1939-1940, were relatively meager, $9,903, The Georgia Cotton Producers Association had accomplished several important results. First, having begun with virtually no capital, the sum of nearly $10,000 seemed quite substantial. However, the principal accomplishment would have to be said to be survival and proof to a number of skeptics that the cooperative might succeed. The development of a sound organizational structure for operating at the local level had resulted from the experience at Carrollton and other points where cotton warehouses had been organized.

Looking Toward the Future

The management and Board of Directors could be proud of the progress that had been made in the four year period, yet much remained to be done. Brooks continually insisted that the organization must borrow all it could to invest in

improved fertilizers, seeds, feeds, and production supplies generally, so that other aspects of the farmer's problems could be remedied.[1] Some rebelled at such ideas saying that a farmer group should concern itself with immediate problems of disposing of produce. Yet Brooks knew that only by improving the production methods and diversifying farmers' activities could permanent gains be made.

Table 3-5 shows the condensed balance sheet of the organization at June 30, 1940. It was to undergo considerable change in the next period as CPA severed its agency relationship with the ACCA and moved into purchasing activities.

Figure 3-1 shows the overall organizational structure of the association at June 30, 1940. From it the hybrid nature of the organization can be seen; that is, the representing of both independent farmer members and member cooperatives by the association.

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[1]Interview with Brooks, March 24, 1969.

Table 3-5

Condensed Balance Sheet of The Georgia Cotton Producers Association at June 30, 1940

Assets		*Liabilities and Patrons' Equity*	
Current Assets	$ 32,982.20	Current Liabilities	$ 8,019.65
Fixed Assets[a]	135,378.40	Long Term Indebtedness	113,218.69
Investments and Other Assets	15,903.27	Debentures	53,121.57
		Patron's Equity	9,903.96
Total Assets	$184,263.87	Total Liabilities and Patrons' Equity	$184,263.87

Source: Taken from company records obtained through the offices of John J. Moseley, Jr., Comptroller.

[a]Shown net after reserve for depreciation.

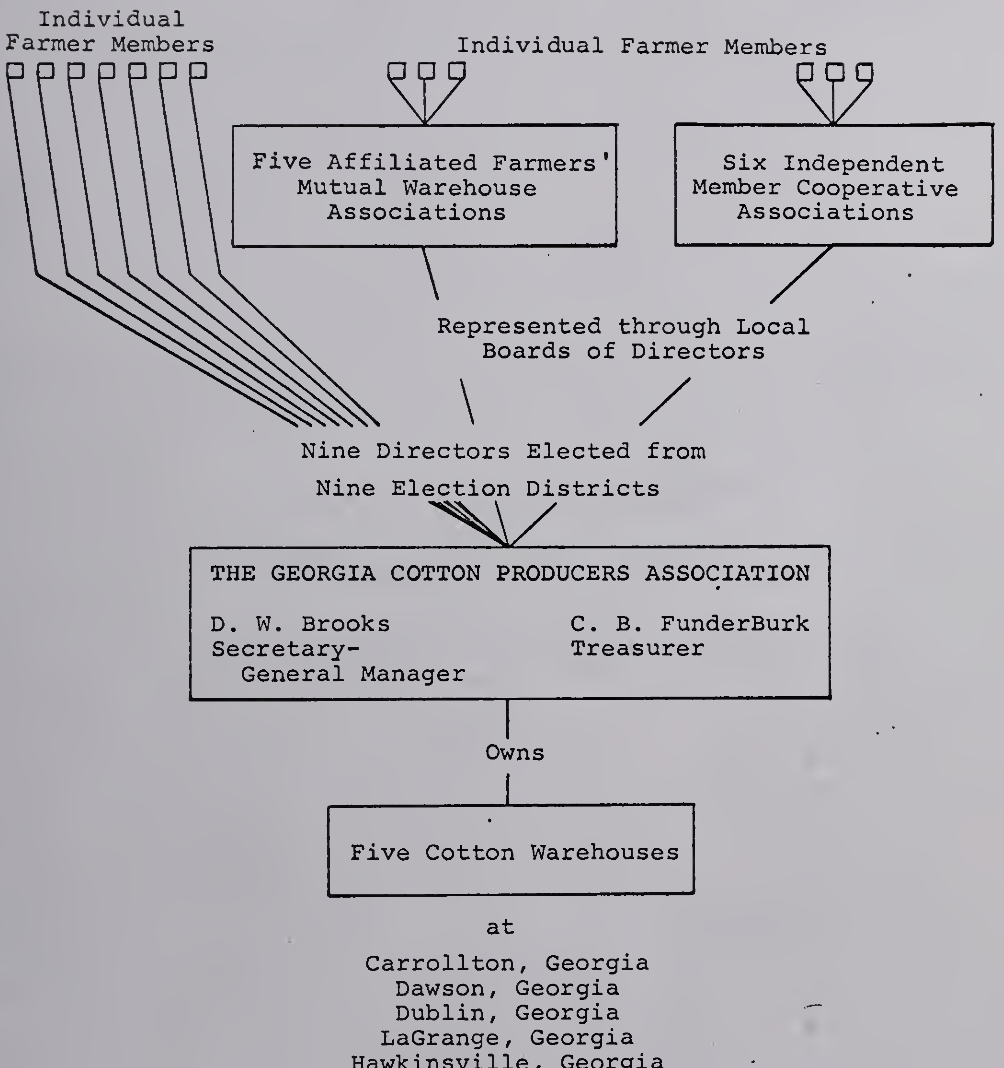

Figure 3-1. Organization structure of The Georgia Cotton Producers Association, June 30, 1940

CHAPTER IV

A PERIOD OF GROWTH AND CHANGE: 1940-1941 TO 1944-1945

Expanded Services

The period 1940-1941 through 1944-1945 was for the nation a period of great trial and change. Naturally the involvement of the United States in World War II, virtually throughout this period, affected the growth and development of The Georgia Cotton Producers Association. On the one hand, a nation mobilized for war made great demands on the agricultural sector and this naturally resulted in an upward pressure on prices of agricultural products. The average annual bale price of cotton for the years 1940-1946 is shown in Figure 4-1. On the other hand, existence of wartime conditions caused shortages of manpower and materials, both of which were required in large numbers by CPA due to the sizeable expansion and diversification which was undertaken during this span of years.

During the war period, cotton marketing services continued to constitute the principal activity of the association even though farmers in Georgia, and to a lesser extent in the region generally, were gradually turning to other crops and activities. The effects of the allotment

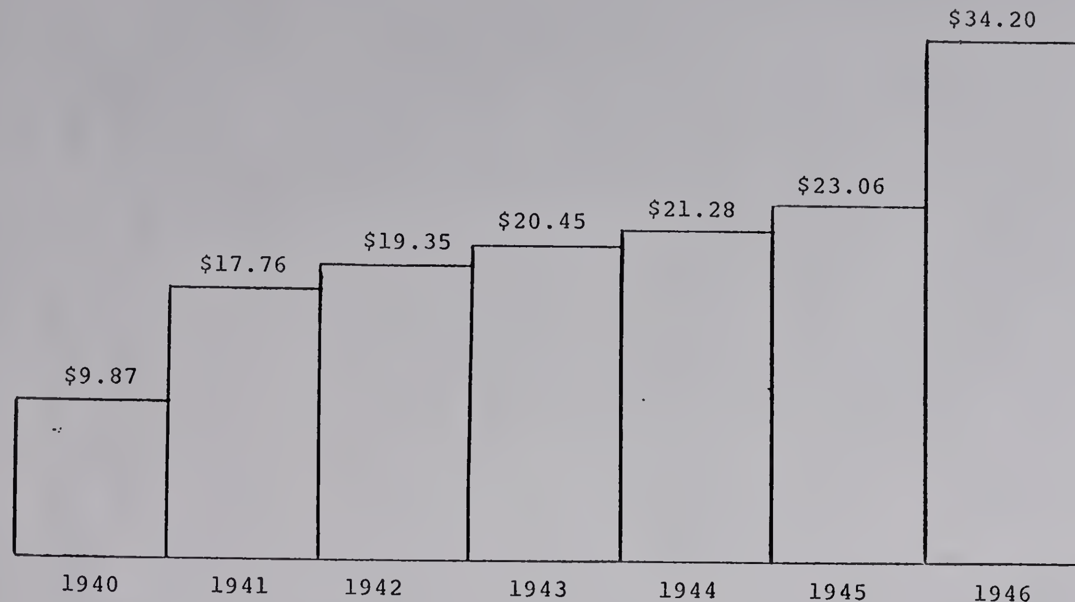

Figure 4-1. Average annual Georgia price of cotton lint for crop years, 1940-1946 (in 500 lb. bales)

Source: U. S. Department of Agriculture, *Agricultural Statistics, 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

program of the Government, as well as continued production in other regions of a better quality cotton lint than that produced in this area, were contributing factors. Over the years, CPA was able to exert a favorable influence on the quality of cotton grown in the region served by them, mainly through improvement in the quality of fertilizer and seeds and through the educating of farmers to the use and application of insecticides. Table 4-1 shows the production of cotton in the four-state area of Georgia, Alabama, South Carolina, and Florida during the years 1940-1945.

Direct Marketing of Cotton Begins

In 1940, The Georgia Cotton Producers Association assumed a more active part in the marketing of cotton when they, along with the other member cooperatives of the American Cotton Cooperative Association, discontinued the financing services of that cooperative. That organization continued, however, to serve as a sales and hedging agency. Some of the major results of this change in operations were that the association had to finance its own cotton receiving and marketing operations and that the sales policies of the association were changed. Volume and net margins were considerably increased, however, in the process.

Financing of the cotton operation was accomplished in part through the use of savings from prior years'

Table 4-1

Production of Cotton in the States of Georgia, Alabama, South Carolina, and Florida for the Years 1940-1945

(in 500 pound gross weight bales)

	1940	*1941*	*1942*	*1943*	*1944*	*1945*
Georgia	1,010,000	624,000	855,000	847,000	810,000	669,000
Alabama	799,000	790,000	925,000	959,000	1,006,000	931,000
South Carolina	966,000	406,000	699,000	696,000	864,000	664,000
Florida	21,000	17,000	16,000	16,000	13,000	8,000

Source: U. S. Department of Agriculture, *Agricultural Statistics, 1939-1968* (Washington, D.C.: Government Printing Office, 1968).

operations which had been retained. The principal source of financing was in the form of operating loans obtained from the Columbia Bank for Cooperatives and to a lesser degree from commercial banks in the regions served.[1] All advances to cotton producers were made from these loans.[2]

The change in the sales policies of The Georgia Cotton Producers Association revolved around direct sales to mills which, of course, had not been the case prior to severing the agency relationship with the ACCA. Under the new arrangement, the association could utilize the sales services of ACCA or sell direct to mills or any other buyers for its own account. In the event that sales were made through the ACCA, any savings or losses were credited directly to the account of The Georgia Cotton Producers Association.[3] This differed from the earlier arrangement in that CPA then shared only in the aggregate savings and losses from cotton marketing by ACCA by the receiving of a patronage refund. The majority of sales during this period continued to be made through the ACCA.

In the first year of operations under this new sales arrangement, 1940-1941, the cotton marketing division

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[1] Interview with C. B. FunderBurk in the Atlanta offices of The Cotton Producers Association, March 24, 1969.

[2] *Ibid.*

[3] John H. Lister and Clarence E. Pike, *The Cotton Producers Association*, p. 4.

of CPA marketed 40,305 bales of cotton with a sales volume of $1,988,925 and placed 23,879 bales of cotton in the loan program of the Commodity Credit Corporation.[1] The net margin from the cotton division operations was $105,399.[2] In the succeeding years of this period, the cotton division made a much greater contribution to farmer members than had been possible while CPA was merely operating as an agent.

Services Extended over Wider Area

During the years between 1940-1945 the cotton marketing services were expanded to more areas of Georgia, Alabama, and into South Carolina. This was accomplished, in part, by the purchase and leasing of warehouse facilities to additional warehouse associations formed at Athens, Georgia, in September, 1942, and Boaz, Alabama, in June, 1943. CPA also purchased six gin properties in and around Boaz, Alabama, and one in LaGrange, Georgia. These were leased to the local affiliated associations. Additionally, greater use of cotton receiving representatives for CPA, either on a salaried or commission basis, was made during this period to make the services available more readily, and over an expanded area of Georgia and Alabama.

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[1]Taken from annual audit for the year 1940-1941 received from management of The Cotton Producers Association.

[2]*Ibid.*

Operations in South Carolina

In South Carolina, up to and including the 1945-1946 season, the South Carolina Cotton Producers Cooperative, Inc., of Columbia, South Carolina, was a member of CPA and delivered all cotton which it received to CPA. This arrangement was maintained by means of an annual agreement between the two associations. This agreement provided that the South Carolina Cotton Producers Cooperative, Inc., in exchange for delivering all cotton it received to CPA, would share in the savings in operation of CPA the same as any other member. The operating expenses of the South Carolina cooperative were paid, subject to approval, by CPA. This arrangement between the two cooperatives was terminated in June, 1946, when the South Carolina Cotton Producers Cooperative, Inc., ceased operations.[1] After that date, CPA utilized cotton receiving agents in South Carolina.

Field Representatives

The salaried cotton representatives accounted for the largest percentage, one-third or more, of cotton received during this period. This may very well have been due to the fact that these men worked their territories more intensively and were more loyal than the commission

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[1]Lister and Pike, *The Cotton Producers Association*, p. 23-24.

representative who usually was a local businessman with other interests to attend. Coverage of Georgia was more intensive than in Alabama and South Carolina where, as mentioned, one cooperative acted as the CPA representative. Consequently, the largest percentage of receipts came from Georgia, usually around one-half, with one-third coming from Alabama and the remainder from South Carolina. The association received cotton from growers only. Normally, the receiving agents knew personally all of the growers and buyers in an area. Therefore, they were able to determine whether or not the cotton offered to the association was producer cotton. As part of their responsibilities, all cotton receiving agents were to actively encourage growers to become members of the association. They did this by visiting growers and by attending and speaking to farmers' meetings in their area.[1]

Two field supervisors positions were created to assist the general manager in supervising the activities of cotton marketing services. These field men served at large in the territory covered by CPA to develop and maintain an effective operation. This they accomplished by training and supervision of new and experienced cotton

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[1]Interview with D. W. Brooks, March 24, 1969.

receiving representatives. Furthermore, they were available to help the representative in an area in conducting membership and educational programs. These supervisors also participated in the conduct of an annual short course in cotton classing and receiving held for cotton receiving representatives and new trainees. The purpose for which the course was designed was to indoctrinate and refresh personnel in the work of classing, pricing, and handling cotton, as well as to communicate policies and directives of the association.[1]

With the rapid growth of the association, both in terms of facilities and in terms of volume, it was necessary to provide the general manager with assistance in adequately serving the expanded operation. Moreover, the association, during this period, was rapidly moving into new areas which were demanding of the time of the general manager and his staff.

Multi-Divisional Operations

Probably events of this period of history of The Cotton Producers Association are of equal, if not greater, importance to the assuring of its future in Southern agriculture, than in any other period. It was

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[1]Interviews with W. A. Burns, December 23, 1968, and with P. L. Brauner, March 23, 1969.

in this span of years that the purchasing division was inaugurated. In the process, the concept of the Farmers' Mutual Exchange was developed as a way of organizing most effectively to serve a local area. As C. W. Paris, now Vice President and General Manager, said, "This first purchasing service was important to CPA because if it hadn't gotten off the ground there might never have been a CPA Purchasing Division and, if in existence at all, CPA would be only a struggling cotton co-op today."[1]

Fertilizer Operations

The first purchasing, or farm supply, service came in 1940 as a result of negotiations by D. W. Brooks, with approval of the Board of Directors, for the purchase of an abandoned fertilizer mixing plant at Carrollton, Georgia. The purchase price was $3,500. In view of the miscellaneous equipment and scrap material around the plant which was immediately sold for more than the purchase price, one might say that the plant was obtained at no out-of-pocket cost. The real asset of the plant was not the physical facility but the allocation of materials, without which it would have been impossible to start operations at this time.[2]

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[1]Speech given by C. W. Paris to The Cotton Producers Association Mid-Year Agency Conference, January 5, 1967.

[2]*Ibid.*, and interviews with D. W. Brooks and W. A. Burns, during the period December, 1968, to March, 1969.

Financing Fertilizer Operations

The small sum involved in this transaction and the bonus obtained from the sale of scrap belies the story behind this event—a story that has served to enhance to every CPA employee the living legend of D. W. Brooks. There seems little doubt but what the credit for the successful execution of this transaction belongs solely to him. When one recalls his objectives in regard to helping the farmer not only market his crop, but produce a better and more profitable crop, it is easy to understand why he fought such odds. First of all, the Columbia Bank for Cooperatives opposed the transaction. The first position was that the Bank could not continue to finance the association unless the plant was sold immediately. Moreover, the cotton-oriented employees of CPA wanted no part of it.[1]

Making a trip to Columbia, South Carolina, Brooks was able after several hours of discussion to get the bank to alter its first position somewhat. The second position of the Bank presented very trying conditions to Brooks and his organization. The conditions were that the fertilizer must be sold in advance, as the materials were purchased. Further, members would be required to pay three dollars per

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[1]Speech given by C. W. Paris to The Cotton Producers Association Mid-Year Agency Conference and from interviews with D. W. Brooks, C. B. FunderBurk and Paris in the period December, 1968, to March, 1969.

ton with an advance order, with the full balance to be paid in cash when deliveries were made to the purchasers. Since farmers had been accustomed to paying for fertilizer after harvesting crops in the fall, these terms of sale were unheard of in the fertilizer industry.[1]

As if this were not enough, the local warehouse employees in Carrollton, who were given the job of selling the output of the newly acquired plant, were so certain that fertilizer could not be sold on such contrary terms that they were completely ineffective. Therefore, Brooks, personally, with assistance from Sam H. Burns, came over from Atlanta and sold the output of the plant for the first year.[2]

Need for Fertilizer Operations

There were several reasons why Brooks felt so strongly about the need for CPA to involve itself in the fertilizer industry. The following comments were made in the General Manager's report to the membership as of June 30, 1956, in which Brooks talks about the effect that the association has had on the quality of farm production supplies offered the farmer.

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[1] *Ibid.*

[2] Speech given by C. W. Paris to Mid-Year Agency Conference, January 5, 1967.

> For example, when The Cotton Producers Association was first organized, most of the fertilizer that was used in the State of Georgia where we were operating at that time was either 8-2-2 or 9-3-3 or 10-2-2. [This refers to the chemical analysis of the fertilizer, each number referring to the percentage of nitrogen, phosphorus, and potassium, the main plant foods, contained in the product.] All that kind of fertilizer could produce was poverty, and there was plenty of poverty at that time. Immediately CPA stated that since farmers were going to manufacture fertilizer for themselves, it was foolish to make a fertilizer with half sand and half fertilizer, which was the only way you could make a ton of fertilizer that sorry. It immediately stated that it would manufacture only high analysis fertilizer, and if any filler was used at all, it would be limestone filler.
>
> It was soon apparent to the management of your association that the amount of actual plant food in a ton of fertilizer could be doubled for an increase in cost of only 50 percent, so the way to get low cost fertilizer was to have high analysis fertilizer, and stop using sand for half of the ton of fertilizer. After this policy was adopted, then other fertilizer companies followed. Today a fertilizer company which tried to manufacture 8-2-2 or 10-2-2 would be ridiculed and would obtain no business.
>
> This is just one instance where your association brought about needed reform in agriculture, not only for our members, but for every farmer who uses fertilizer. It has put millions on top of millions of dollars in the hands of farmers in the Southeast because your association had the courage to make the first step and make the change.[1]

Therefore, the policy of the association was to take the limited materials that were available to them as a result of the purchase of the Carrollton property and produce the highest possible quality fertilizer at that time. Such a policy meant less total tonnage, but it also meant that farmers would be getting a much superior product to use.

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[1]D. W. Brooks, "General Manager's Report," *Dixie Co-op News*, Vol. 7, No. 4 (November, 1956) p. 6.

This policy of highest quality production supplies has been consistently followed as CPA has moved into new areas of service to farmers. As Brooks wrote in his monthly column of the *Dixie Co-Op News* in the February, 1957, issue:

> When [The] Cotton Producers Association was first organized, our philosophy was that if all we did was compete with somebody already in business we would have a very poor association and one that would accomplish very little for its members. Consequently, we started in to help bring about many needed changes in our Southern agriculture.[1]

The efforts toward raising the industry standards for plant food alone, however, were not enough. Farmers had to be educated to the proper application of fertilizers to their crops. Efforts to tell this story to farmers were intensified as The Cotton Producers Association moved into the manufacture of fertilizer.

Cotton requires large amounts of plant food to produce maximum results, particularly when the agricultural land has been in use for many years with little attention to soil conservation practices. Recommended applications of fertilizer in Georgia for cotton crops range between 500 and 800 pounds per acre, plus additional amounts for side dressing of the crops during the growing period. Yet it has been a difficult and time-consuming chore to educate all farmers concerning the benefits to be realized from

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[1]D. W. Brooks, "Fertilizer and Seed," *Dixie Co-Op News*, Vol. 7, No. 7 (February, 1957) p. 2.

proper fertilization.[1] The association has continually worked with the agricultural experiment stations and has continually promoted the findings of these units to farmers in the area served by CPA. Yet, particularly during this period of time, there was a tendency on the part of farmers to save money by using either "less expensive" or too little fertilizer. This is true, even though Brooks and others have said over and over such things as: "To buy extra fertilizer and put it on your crops is like hiring a number of extra men to work for you without having to pay them hardly anything for their labor."[2] That same message has been expressed more explicitly by Brooks in writing to the members in 1957:

> For example, a dollar invested in fertilizer, for a period of almost 20 years now, has generally increased the income of every farmer who invested the extra dollar on an average of about $5 per dollar invested. I know of nothing else in which you can invest a dollar in the Spring and get $5 back in the Fall.[3]

Additional Fertilizer Plants Acquired

In 1942 a second fertilizer mixing plant, which had been built in 1882, was acquired at Savannah, Georgia, to more adequately serve the farmers in the Southeastern part

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[1]Interview with Quentin S. Lee, Manager, Plant Food Department, The Cotton Producers Association, December 18, 1968.

[2]D. W. Brooks, "Fertilizer and Seed," *Dixie Co-Op News* (February, 1957) p. 2.

[3]*Ibid.*, p. 2.

of the state. This plant had a daily capacity of 350 tons, about fifty tons per day smaller than the Carrollton plant. By the time of the acquisition of this second facility, the Columbia Bank for Cooperatives had waived the $3 advance deposit requirement, but had retained the cash at delivery requirement. C. W. Paris, now Executive Vice President and General Manager, tells of his experience, as a young member of the management team of the association, in being sent to Southeast Georgia to collect payment on the fertilizer as it was delivered. He says: "I didn't know any better than to do as I was told, so I went down at the beginning of the season and returned on April 16, two days after the last ton of fertilizer left the plant, with all the money."[1]

The magnitude of the job that had been accomplished in disposing of the output of these plants is, perhaps, best summed up by Paris:

> They said it couldn't be done, but we did it, and after two years of successful operations with substantial patronage refunds, CPA was soundly launched in a fertilizer program that was destined to become number one in the area of CPA's operations.[2]

The contributions of the fertilizer operation to net margin were $5,687 in 1940-1941 and $49,438 in 1941-1942.[3]

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[1]Interview with C. W. Paris in the Atlanta offices of The Cotton Producers Association, December 20, 1968.

[2]*Ibid.*

[3]Taken from annual audits of the association prepared by a professional auditing firm and received through the offices of John J. Moseley, Jr., Comptroller of CPA.

Additional fertilizer mixing plants were acquired toward the end of the fiscal year, 1945, at Cordele, Georgia, and at Sylvester, Georgia. The respective daily outputs of these plants were 600 tons and 150 tons. Total tonnage of fertilizer distributed by CPA in the five seasons in this period is shown in Table 4-2.

Two of the plants, Carrollton, and Cordele, began the manufacture of superphosphate during this span of years. The association also joined the membership of Associated Cooperatives, Inc., Sheffield, Alabama, to enable the purchase of fertilizer materials for the plants on a cooperative basis.

Change of Name

As a result of continuing interest on the part of farmers in adjacent states and, in order to indicate that services of the association were not limited to Georgia, it was decided to change the name by dropping the word Georgia from the name. On approval of the Board of Directors, an amendment to the corporate charter changing the name to The Cotton Producers Association was obtained in October, 1943.

Feed Distribution

During the 1942-1943 fiscal year, CPA was offered part ownership in Cooperative Mills, Inc., Cincinnati, Ohio.

Table 4-2

Tonnage of Mixed Fertilizer and Fertilizer Materials Distributed by The Cotton Producers Association, 1940-1941 through 1944-1945

Season	*Tons Distributed*
1940-1941	4,717
1941-1942	11,338
1942-1943	13,693
1943-1944	17,654
1944-1945	21,115
Total for Five Seasons	68,517

Source: John H. Lister and Clarence E. Pike, *The Cotton Producers Association*, U. S. Department of Agriculture, Circular C-131, March, 1948, p. 50.

This came about partly through an arrangement for purchasing and distributing feed on a limited basis from Southern States Cooperative, Inc., Richmond, Virginia. Southern States Cooperative, Inc., operating a cooperative feed mill was also a part-owner of Cooperative Mills, Inc., along with two other cooperatives, the Pennsylvania Farm Bureau Cooperative Association and the Ohio Farm Bureau Cooperative Association. Because of excess capacity of the new Cooperative Mills plant, along with other considerations, CPA was given the opportunity of becoming one of the principals on favorable terms. Briefly, the terms were that no initial investment need be made. Rather, as CPA sold feed from the Cooperative Mills, the savings would be accumulated until such time as the association has built up an agreed-upon investment in the operation. In an organization such as CPA, which always had several places for its capital during this period, this arrangement was ideal.[1]

This agreement made it possible for The Cotton Producers Association to do three things for its members:

1. Provide them with a supply of poultry, dairy, and livestock feed at a time when the supply was unavailable elsewhere.

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[1] Interview with C. W. Paris, December 20, 1968.

2. Supply them with scientifically balanced feed made according to formulas worked out by the College Conference Feed Boards (these boards are composed of nutrition research men from the Agricultural Colleges in the 13 states served by Cooperative Mills.)

3. Provide members with feed at much less cost than they were then having to pay.[1]

The trend toward a more diversified type of farming in the area served by the association had caused management to seriously consider feed distribution. The total number of poultry and livestock on farms and the production of milk, eggs, and chickens had begun showing a sizeable increase while, at the same time, cotton acreage was on the decline. Tables B-2, B-3, B-4, B-5, and B-6 in Appendix B show these changes. The increase in poultry and livestock brought on increased demand for prepared feeds. While some of the increases in sales would be due to higher prices, many of these increases do represent greater quantities of feed purchased by farmers.[2]

Feed Volume

The volume of feed distributed by The Cotton Producers Association increased each year from inception. Table 4-3 reflects tonnage distributed between the years 1942-1943 and 1944-1945.

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[1]C. W. Paris, "History and Development of The Farmers Mutual Exchange, Gainesville," *Dixie Co-Op News*, Vol. 4, No. 9 (April, 1954), p. 1.

[2]John H. Lister and Clarence E. Pike, *The Cotton Producers Association*, p. 6.

Table 4-3

Tons of Feed Distributed by The Cotton Producers Association in Years 1942-1943 through 1944-1945

Season	*Tons Distributed*
1942-1943	1,067
1943-1944	2,692
1944-1945	10,861

Source: Records of the feed department of The Cotton Producers Association.

Initially, shipments of feed, as was true of fertilizer, were made to existing farmers' mutual warehouse associations or direct to farmers. Such a system did not provide for full coverage of markets already being served by other services of the association. Out of the need for more intensive market coverage, the idea of a network of local Farmers' Mutual Exchanges was conceived.[1]

Distribution of Farm Supplies

Distribution of farm supplies, which in 1943-1944 consisted of fertilizer and feed, had been performed primarily through the farmers' mutual warehouse associations,

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[1]Interview with C. W. Paris on December 23, 1968, and speech given by Paris to the Mid-Year Agency Conference, December 5, 1967.

although some supplies were distributed through member independent cooperative associations and private distributing agencies. The policy established early in the history of the purchasing division was that the association would serve farmers through existing local cooperative associations whenever possible, provided the local cooperative associations agreed to give service of the quality and type which would benefit farmers and which was required by CPA. Private distributing agents were also required to meet similar requirements. These requirements included: handling farm supplies on a fair margin; keeping adequate records for patronage refund purposes; keeping up-to-date mailing lists of farmer-patrons; aggressive merchandising of all farm supplies available from, or through, CPA on an exclusive basis; and having adequate facilities and sufficient capital to render satisfactory service.[1]

There were numerous potentially heavy volume areas in which no existing cooperatives were distributing farm supplies and where the need for such services was great. In terms of providing a viable and effective distribution network to a membership of farmers that was growing and stretching over a wider area, the management of CPA felt that an affiliated cooperative system would be the best

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[1]John H. Lister and Clarence E. Pike, *The Cotton Producers Association*, p. 39.

alternative for establishing the distribution of farm supplies to such areas.

The First Retail Farm Supply Store

At about the same time that CPA was reaching these conclusions as to how to broaden distribution most effectively, farmer members in Statesboro, Georgia, who had been purchasing fertilizer from the Savannah plant through E. L. Anderson, Sr., acting as their agent, decided that they should broaden their purchasing activities. To do this would require a permanent location; a store or warehouse location was therefore needed. Seeking help from CPA, they decided to open what was to be the first of, and the pattern for, a network of Farmers' Mutual Exchanges. Because CPA still had no capital to risk, and the farmers in Statesboro had no formal organization, several conferences were needed before the Bank would permit the execution of a $50 per month lease for a small building on Main Street in Statesboro and the purchase of one carload of Co-Op Mills feed. Still without a formal organization, this farmer group opened a farm supply store in June, 1943. That the store opened with an inventory of thirty tons of feed and nothing else, yet operated successfully in its

first year, is a tribute to these Statesboro farmers and to the association.[1]

After one year in operation by the informal group, they incorporated on June 12, 1944, under the name Producers Cooperative Association of Statesboro, Inc. (The name was subsequently changed to Farmers' Mutual Exchange of Statesboro, Inc.). Initially, the members did not invest any capital, the operating funds being loaned by CPA, but subsequent to incorporation, farmers did invest over $28,000 in the local association.[2]

A Second Store

The second affiliated retail farm supply cooperative was the Farmers' Mutual Exchange of Gainesville, Inc., Gainesville, Georgia, which was incorporated on October 12, 1944. It was an outgrowth of the Hall County Soil Conservation and Improvement Association, which was a farmer cooperative having as its chief function the processing and marketing of seed for its members. Yet by 1944, the broiler industry of North Georgia was undergoing its second expansion. This was due to the government appealing

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[1]Interview with C. W. Paris, March 24, 1969, and article by him, "History and Development of PCA, Statesboro, Georgia," *Dixie Co-Op News*, Vol. 4, No. 10 (May, 1954), p. 1 and 5.

[2]D. W. Brooks, "Pumping Stations," *Dixie Co-Op News*, Vol. 8, No. 5 (December, 1957), p. 2.

for more food to aid the war effort, and broilers, having a short growing period, seemed to present an alternative where efforts of farmers could bring immediate results. A limiting factor to such expansion was a shortage of good quality and reasonably-priced feed. The directors of the Hall County association approached CPA with their problem.[1]

After several meetings between representatives of the two associations, it was decided mutually to liquidate the Hall County SCIA and set up an organization capable of rendering a wide variety of purchasing and marketing services needed or desired by the farmers in the Gainesville area. Since it had already been agreed that interested farmers would have to provide a substantial portion of the initial capital, a series of thirteen meetings were held throughout the area to acquaint farmers with the proposed venture. During the course of the meetings some 173 farmers invested a total of $6,375, whereby CPA then furnished the remaining initial capital needed.[2]

Because of a shortage of available buildings due to war-time conditions, it took some time to locate a place of business. Ultimately, an abandoned theatre building was

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[1]Paris, "History and Development of The Farmers' Mutual Exchange, Gainesville," p. 1.

[2]*Ibid.*, p. 4.

all that could be located and the second Farmers' Mutual Exchange opened for business about the middle of November, 1944. On that day, "Feed prices in Gainesville . . . came down $8 to $10 per ton, which overnight meant savings of thousands of dollars for all the poultry producers. . . ."[1]

A Third Retail Store

The third affiliated exchange was The Farmers' Mutual Exchange of Waycross, Inc., Waycross, Georgia, which was incorporated November 27, 1944, and began operations January 1, 1945. It was an outgrowth of the Southeast Georgia Cooperative, which for several years had operated a canning plant with little success. Its membership had contacted CPA in much the same way the farmers in Gainesville had done earlier in the same year. A total of eighty-two farmers in the area invested a total of $5,175 to provide the initial capital for the organization.[2]

Policy Evolved for Establishing Exchanges

Each exchange that has subsequently been organized is an interesting and often dramatic story which should be told. Yet, the efforts and events surrounding the organization and inception of the first three have been selected

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[1]*Ibid.*, p. 4.

[2]C. W. Paris, "Farmers' Mutual Exchange of Waycross Makes Steady Growth and Development," *Dixie Co-Op News*, Vol. 4, No. 12 (July, 1954), p. 3.

in order to show the pattern of development which was emerging. Out of the experience gained in getting these exchanges underway, clearer policy, with respect to sponsorship and aid in development of the retail purchasing associations, began to evolve.

The pattern of farmers in an area making the first contact with the association continued in many instances. In other areas, where need appeared to be great, CPA often served as the catalyst which was needed to bring farmers together in a common purpose.

The Cotton Producers Association would provide assistance to local farm leaders in surveying the area to determine need and interest, both of which were required if an exchange were to succeed. Assistance was also provided in estimating the potential market for farm supplies in the area to be served and in determining the amount of capitalization required to getting operations started.[1]

The policy of requiring that local farmers furnish a major portion of the initial operating and facility capital, before any CPA money was advanced, was sound on several counts. The principal benefits from such a policy were that the organization would more likely be supported

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[1]Interview with G. A. Burson, Director, Purchasing Division in the Atlanta offices, December 17, 1968.

if it were locally financed by its members, and CPA was in no position financially to capitalize a number of these exchanges even if it desired to do so.

Provisions of Relationship

So that a close relationship would exist on a formalized basis between The Cotton Producers Association and the various mutual exchanges, a standard cooperative agreement was drawn up for use. A copy of the agreement presently in use is contained in Appendix D. In general, such an agreement provided the conditions of operation and management of the exchanges. Provisions related to borrowing of capital only from CPA, bonding of employees, insurance coverage, payment of patronage refunds, terms of sale, and prior approval by CPA of all financial obligations in excess of stated amounts were included. Furthermore, the local association agreed to the employment by CPA of the local manager and of the fixing of his compensation, subject, of course, to local board approval. CPA agreed to render accounting, advertising, and other required services to the local association at a monthly fee based on gross volume of business of the exchange.[1] Such an agreement provided the necessary degree of standardization and of control of the exchange stores throughout the territory served by CPA.

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[1]Taken from the cooperative agreement, a copy of the most current one of which appears in Appendix D.

From the outset and throughout the development of the retail farm supply stores, a great amount of the credit for developing policy, procedures, and overall supervision must go to C. W. Paris, who, in 1968, became Executive Vice President and General Manager of CPA. Paris, who came with the Association in 1934 as an office boy, was the first manager of the purchasing division and, as such, was greatly involved with, and responsible for, the direction taken by this operation.

Operations of the Farmers' Mutual Exchanges

By June 30, 1945, a total of six mutual exchanges were in operation. Three additional exchanges were opened at Claxton, Springfield, and Metter, all in Georgia. Yet, the product offerings were still confined largely to fertilizer and feed. Other lines of service were in the process of being added at the end of this period, including seed purchasing and processing and a wider line of farm supplies. These services did not, however, contribute to the operations until the next period, 1945-1946 through 1949-1950.

These Farmers' Mutual Exchanges, or FMX stores as they are often called, purchase their supply requirements from CPA on a wholesale basis and distribute them to their farmer members at retail. The savings or losses of each

exchange are credited entirely to the members and patrons of that particular exchange. Any patronage refunds from The Cotton Producers Association are paid directly to the exchanges for distribution to their farmer members. In the early years of these exchanges, no patronage refunds were ordinarily distributed until an adequate capital structure was developed. Refunds, however, whether distributed or not, were credited to the account of each member in proportion to his usage of available services. In addition to purchasing and distributing farm supplies, the mutual exchanges at Statesboro and Metter also served as cotton receivers for CPA, receiving cotton on a per-bale commission basis. Expansion of services of the other exchanges to include this activity was planned as suitably-trained personnel were available.[1]

The policies and methods of operation established for the initial Farmers' Mutual Exchanges have remained basically unchanged throughout the history of CPA. As will be shown, the services, scope, and extent of operations have been expanded, yet the basic philosophy and operating principles have been unchanged.

It should also be pointed out that from time to time Farmers' Mutual Warehouse Associations have served as

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[1]John H. Lister and Clarence E. Pike, *The Cotton Producers Association*, p. 43.

distributors for CPA supplies. On June 30, 1968, there were five such affiliated warehouse associations operating stores for the distribution of farm supplies in addition to the warehousing operation.[1]

Growth Accelerates

Naturally as operations were expanded in this period, the membership of the association continued the upward trend begun in 1936. Table 4-4 shows this growth.

It becomes difficult to determine just how accurately these figures depict the active membership as the number of farmers' mutual warehouses and mutual exchanges increase. This is due to the fact that some members, formerly served directly by CPA, became members of these affiliated co-operatives as they were organized and therefore became inactive as direct members. Also, the membership agreement running for a period of ten years unless canceled in writing by either of the parties can have resulted in inactive names remaining on the list. Despite these possible inflationary factors, the overall trend should definitely be considered upward.

Figures for member cooperative associations can be more easily verified and therefore do show a sizeable increase

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[1]Taken from Approved Agency List prepared by the Purchasing Division, The Cotton Producers Association, as of June 30, 1968.

Table 4-4

Membership of The Cotton Producers Association, 1940-1941 through 1944-1945

Season	*Individual Farmer Members*	*Member Co-Op Associations*
1940-1941	41,370	6
1941-1942	41,285	7
1942-1943	48,074	7
1943-1944	48,994	32
1944-1945	49,032	35

Source: Membership records of The Cotton Producers Association.

during this period. The sizeable increase shown in 1943-1944 shows the impact of the expansion of CPA into feed distribution. A good proportion of the cooperative associations which came into the membership in that year were dairy groups. Also, several farmers' mutual exchanges were organized and became members of CPA.

While historically, practically all of the cotton marketed by the association has been for farmers already members, the business of the purchasing division was also largely with members, at least in volume terms.[1] This would naturally result inasmuch as the bulk of sales of farm supplies by the purchasing division would be to member cooperatives. Purchases by non-members were made from the affiliated cooperatives, but volume, in the main, has traditionally come from members.

Volume of Business

By the close of this period, 1944-1945, The Cotton Producers Association had become multi-divisional. There can be little doubt, both from the standpoint of farmers being served, and of volume of business being transacted, that the association was having a much greater economic impact on agriculture in the territory it served than had

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[1]If a farmer deciding to market his cotton through CPA was not already a member, he would sign a membership agreement at that time.

earlier been true. Table 4-5 summarizes the volume of business and net margin for the two divisions between 1940-1941 and 1944-1945.

It will be recalled that during the first four years of operation, the association acted in the capacity of cotton receiving and assembling agent for the American Cotton Cooperative Association. The net margin from operations during that time were quite small, amounting to only $9,903 over the four-year period ending June 30, 1940.

Table 4-5 shows that as CPA began operating as a cotton marketing association, the net margin from cotton activity increased sizeably over that earned under the agency relationship. Several factors, such as size of crop and price fluctuations, caused considerable variation in the year-to-year savings.[1]

The farm supply purchasing activity, as can be seen in Table 4-5, began during the year, 1940-1941, with the sale of fertilizer. Each successive year showed substantial volume and margin increases from purchasing activities. As the product line has been expanded, the net margin per dollar of patrons' purchases has shown increases. This fact will be much more obvious in the

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[1]Interview with W. Arnold Burns, former Director of Cotton Marketing, now retired, December 19, 1968.

Table 4-5

Volume of Business and Net Margin by Divisions of The Cotton Producers Association, 1940-1941 through 1944-1945

Year	*Cotton Division*				*Purchasing Division*		
	Cotton Marketed	*Loan Cotton Received*	*Net Sales Value of Cotton Marketed*	*Net Margin*	*Patrons' Purchases*	*Net Margin*	*Total Net Margin*
	(Bales)	*(Bales)*	*(Dollars)*	*(Dollars)*	*(Dollars)*	*(Dollars)*	*(Dollars)*
1940-1941	40,305	23,879	1,988,925	105,398	142,186	5,687	111,086
1941-1942	52,565	31,629	4,651,516	64,788	319,733	49,438	114,226
1942-1943	117,838	58,110	12,367,094	15,081	461,520	55,471	70,553
1943-1944	80,070	156,524	8,565,892	130,070	724,215	56,281	186,351
1944-1945	79,437	79,746	9,113,445	78,032	1,423,947	63,270	141,302
Total				393,369		230,147	623,518

Source: Data for this table were obtained from annual audits of the association prepared by professional auditing firms.

next period when the total product offerings of the purchasing division more closely approach a full line of goods for farm operations.

Patronage Refund Policies and Procedures[1]

Net margins from each year's operations up to the end of the period, 1944-1945, had been handled differently for each division. Differences in treatment resulted primarily from management decisions as to what constituted an adequate level of retained savings to provide sufficient capital for sound operations in each division.

Savings from each year's operations of the cotton division had been returned on the basis of patronage to members and patrons of that activity in the form of credits to the equity account of each individual. Patronage refunds were paid, of course, only on the cotton to which title had been taken by CPA during the season. As soon as sufficient capital had been accumulated, it was planned to put a revolving fund method of paying patronage refunds into effect. Cotton marketing activities required sizeable amounts of capital and the process of accumulation was to take several years. In the meantime, the equity of each member in the association was increased or decreased to the

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[1]Information upon which this section is based is compiled from many sources, although largely from interviews with the officers of CPA, and records of the organization.

extent of his share of the savings or losses of the association each season.

The net margin earned through the operation of the purchasing division was also distributed on the basis of patronage to all patrons of farm supply services. Prior to the 1944-1945 year, the policy of CPA had been to distribute a portion of the net margins in cash and retain the remainder in the form of credits to the equity accounts of the patrons. Refunds on the different major commodities were made on the basis of the contribution to net margin by each commodity.

At the beginning of the 1944-1945 season, the policy of distributing patronage refunds from purchasing activities was changed. Under the changed policy for the purchasing division, part of the net margins were distributed in the form of patronage refund certificates and the remainder in the form of allocations to the equity account of each member.

The patronage refund certificates issued for 1944-1945 had a fixed maturity date of 10 years and 5 percent. These certificates, however, at the authorization of the Board of Directors of CPA could be cashed at any time at the option of the patron. Fifteen months after issuance, less than 40 percent of these certificates had been re-deemed.

Over the years the policies and procedures for patronage refunds have changed. Such changes are mentioned where relevant in the periods in which they take place.

Financial Condition

It will be recalled that the association reported total assets of $3,156 at the end of its first year of operations, June 30, 1937, under the Georgia charter of incorporation. Of that amount, patrons' equity represented only $416.

On June 30, 1945, total assets of The Cotton Producers Association had increased to $12,965,144 and patrons' equity was $575,317. More importantly, almost all of this growth had occurred since the fiscal year ending June 30, 1940. The summary balance sheets for the years 1940-1941 through 1944-1945 in Table 4-6 clearly show this. The extent of the assets and liabilities of an association engaged in cotton marketing depends to a great extent upon the amount of cotton inventory on hand. Therefore, the balance sheet totals vary from year to year in proportion to the amount of such inventory carried over.

On June 30, 1945, the breakdown of total assets, $12,965,144, on a divisional basis showed that total assets of the Cotton Division were $12,571,123, and of the Purchasing Division, $394,020. A breakdown of total

Table 4-6

Comparative Summary Balance Sheets of The Cotton Producers Association for Each of the Years, June 30, 1941 through June 30, 1945

(cents omitted)

	1941	*1942*	*1943*	*1944*	*1945*
ASSETS					
Current Assets	$744,369	$4,147,490	$5,245,437	$12,436,862	$12,001,270
Fixed Assets[a]	161,024	151,714	328,983	345,297	397,368
Investments and Other Assets	36,746	215,522	321,395	514,137	566,505
Total Assets	$942,131	$4,514,726	$5,895,816	$13,296,297	$12,965,144
LIABILITIES AND PATRONS' EQUITY					
Current Liabilities	$680,795	$4,161,795	$5,469,480	$12,597,193	$12,163,428
Long-term Indebtedness	81,554	57,807	53,553	103,887	60,999
Debentures	40,570	49,759	83,935	138,703	165,398
Patrons' Equity	139,211	245,364	286,845	456,512	575,317
Total Liabilities and Patrons' Equity	$942,131	$4,514,726	$5,895,816	$13,296,297	$12,965,144

Source: Taken from financial records of The Cotton Producers Association.

[a]Shown net after reserve for depreciation.

facility investment, at cost, for the two divisions in operation on June 30, 1945, is contained in Table 4-7.

Figure 4-2 illustrates the organization structure of The Cotton Producers Association as of June 30, 1945. Considerable growth can be seen by comparing it with a similar figure on page 83 of Chapter III.

Insurance Operation[1]

A group of farmer members from Carroll County, Georgia, came to The Georgia Cotton Producers Association in late 1941 to find out if there was any way that the association could help them in obtaining fire and windstorm coverage. Their need had been occasioned by the cancellation of their existing coverage and, since all of them had mortgages on their farms, it was essential that their insurance coverage be maintained.

Brooks said that the Board of Directors felt a particular obligation to help these farmers meet their needs inasmuch as many of these farmer members had been strong supporters of the association since its inception. Out of this need the Cotton Farmers Mutual Insurance Association was incorporated on November 1, 1941, under

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[1]Material for this section based on interviews with D. W. Brooks, C. B. FunderBurk, and Luke R. Lassiter, Executive Vice President of Cotton States Mutual Insurance Company, March 24, 1969.

Table 4-7

Investment in Facilities, at Cost, by the Divisions of The Cotton Producers Association, for the Years Ending June 30, 1941 through June 30, 1945

(cents omitted)

Division	*1941*	*1942*	*1943*	*1944*	*1945*
Cotton	$295,811	$281,019	$500,797	$514,728	$378,331
Purchasing	11,740	9,529	9,579	31,503	87,323
Total	$307,551	$290,548	$510,376	$546,231	$465,654

Source: Taken from financial records of the association.

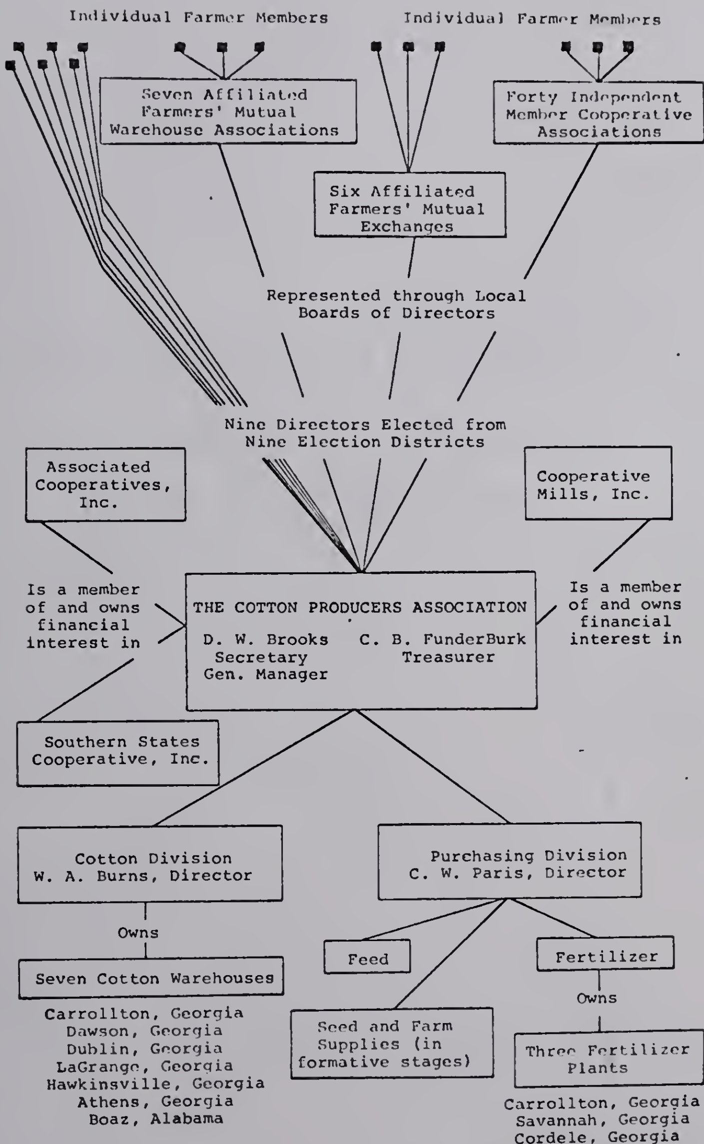

Figure 4-2. Organization structure of The Cotton Producers Association on June 30, 1945

the insurance laws of the State of Georgia with $2,000 capital, $1,500 of which had been loaned by CPA. The insurance operation could not be operated as a division of the association due to the requirements of the State insurance laws.

Out of this meager beginning, this company has grown over the years in size and scope of operations and more adequately serves the total insurance needs of the farmer under the present name of Cotton States Mutual Insurance Company, Inc. The details of this growth are expanded in a subsequent chapter.

CHAPTER V

RESOURCES FOR EXPANSION: THE PERIOD, 1945-1950

Development of Human Resources

The Cotton Producers Association had by the beginning of this period completed more than a decade of continually expanded service to farmers. The goal of survival had been satisfactorily met and the achievement of a more orderly existence began to occupy more of the time of management.

Until the close of World War II, the problem of survival had occupied the majority of the time of management. A lack of sufficient management personnel, brought about by several factors, caused much overburdening of the existing staff. Aside from management efforts to keep expenses to the barest minimum during the first twelve years of operations, the factors leading to this diffusion of management resources included the general shortage of manpower existing during the war as well as the sizeable growth and expansion of operations of the association.

Referring to survival and growth, Drucker has said that an institution which cannot produce its own leadership cannot survive.[1] The management of CPA recognized, from the

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[1] Peter F. Drucker, *Managing For Results* (New York: Harper & Row, 1964), pp. 222-224.

beginning, the need for able and sound management at both the operating and director levels. Initial staffing of management positions had been accomplished largely by obtaining personnel who already possessed extensive backgrounds in the agribusiness industry and, in some instances, were experienced in the management of cooperative ventures. Additionally, considerable attention was paid to developing the management skills among the directors of the cooperative and they bore a good share of the effort during these early years.

CPA management had now accumulated, through experience, confidence in its ability to provide needed services to the farmer and through analysis of trends in agriculture, both on a regional and national basis, had decided what paths it would take to improve the position of the farmer in the Southeast.

Such policy decisions naturally led to planning to achieve these goals. In so doing, it became painfully clear that the principal resource not yet receiving proper attention was the development and maintenance of a competent and ever-widening group of managers, capable of expanding existing programs and implementing new ones. The existing management felt that their planning dealt with high-grade opportunities and would require a continuing fund of first-class managerial talent. That much was done during this

period in developing managerial resources is attested to by the fact that the majority of present top management joined the organization during the period, 1945-1950.

Management Development Program

The program that was outlined to bring the needed management personnel into the organization consisted of two parts, one dealing with immediate needs and the other establishing a continuing selection and development program. As to immediate needs, the organization was continuing its expansion of services and required instant managerial talent in some of these areas. Therefore, attempts were made to secure a limited number of functional specialists who already possessed experience and managerial expertise in certain areas.[1] The other aspect of the program involved the continuing selection of a larger number of young men for training and development.

This program, management felt, would alleviate the immediate problem of overburdening of the existing management as well as provide for needed technical and administrative assistance in certain aspects of operations. At the same

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[1]Two men, possessing these qualifications, hired during this period were J. Elam Nunnally and J. Julian Baker. Both of these men, Nunnally, in fertilizer operations, and Baker, in feed operations, made important contributions to their respective areas of competence.

time, the training and development of young men would assure a steady flow of qualified young managers as rapidly as they were needed. These young employees would be exposed, through a combination of classroom study and actual work experience, to all facets of the organization activities.

Although some modifications have been made in the training procedures as the association has changed, the basic program has remained essentially similar to the original form established during this period. The program which a new employee presently pursues includes a twelve-week orientation phase, during which time he obtains an overall view of the plants, facilities, and operations of CPA. At the conclusion of this phase of the program, the trainee is counseled as to his areas of interest and when a mutual decision is reached the trainee is scheduled into a particular department, division, or area of operations for an additional six-to-nine months of on-the-job training before his first assignment. All during this period he is learning various aspects of the agribusiness industry through written assignments. No trainee is frozen into an area of operations in this process. The history of lateral movement within the organization is well established and movement of employees between divisions occurs quite often.

The training of the management personnel is a continuing process, a procedure established formally during

the decade of the 1940's. At a minimum, annual workshops or training sessions are held for all management personnel, usually on a divisional basis. These conferences ordinarily include a session concerned with an evaluation of progress of the operating unit and a discussion of short-and long-range plans. Training and review of management and marketing skills required in the particular area of competence of each groups, as well as general training in the development of management skills round out the program.

Moreover, from the outset of training of management personnel, managers have been encouraged to participate in the many and varied training programs offered within, as well as outside, the industry. Consequently, management has been continually exposed to developments and improvements in all of the areas of operational and administrative management of cooperatives in particular and, in general, of business enterprise. Indeed, as matters have developed, the management of CPA has assumed leadership roles in many of these programs and associations.[1]

Brooks and others in the original management group recognized from the outset the need for availing themselves of all sources of knowledge relative to the conduct of the

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[1]A brief review of the biographical sketches of key management personnel contained in Appendix E more than amply supports this statement.

cooperative form of business enterprise. They also realized the need for involvement in all aspects of organized activities in the industry, both from the standpoint of coordinating activities of CPA with industry programs and in order to influence such programs as were undertaken by these various trade and industry groups.

The point has been made that: ". . . in every instance where there has been outstanding cooperative growth and accomplishment there has been exceptional managerial leadership."[1] The management of CPA certainly appears to support this thesis. Indeed, in the beginning, a part of the success in acquiring competent management was fortuitous, but the ability of Brooks and others to select wisely, and the insistence of Brooks on a highly demanding performance, cannot be overlooked. Beginning in this period the staffing program was placed on a more formalized basis, yet the continued high level requirements on management were not reduced. Brooks has continually stressed a very important management principle—that a good manager trains men who can take over when the need arises.[2] He knew, however, that this could not occur unless the selection and development

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[1]"Cooperative Management Comes of Age" *News for Farmer Cooperatives*, Farmer Cooperative Service, U. S. Department of Agriculture (July, 1952), p. 5.

[2]Interview with D. W. Brooks, March 24, 1969.

of employees utilized the latest and best managerial techniques and approaches and that these could only be obtained by direct and intensive involvement of CPA managers in the industry as well as in the firm.

Borrowing from Drucker, it seems appropriate to say that the idea upon which the association was formed had economic validity and that its achievement could lead to social reform, but only if the idea met the test of personal commitment on the part of every manager.[1] Insistence on this personal commitment has undoubtedly caused the organization to lose some capable personnel, but it would appear that those who remain really believe in the idea and, consequently, have been up to the task of meeting a rapidly changing environment for agriculture and its consequent opportunities and problems.

Brooks more than exemplified the degree of loyalty expected of managers in the organization, as is illustrated by a story he recounts:

> . . . those of us who came in to start CPA came in with a determination that we were going to attack that problem [poverty of the farmer] with every thing we had, and it mattered not how we came out personally.
>
> There were only a handful of employees. Practically all of us, time and time again, were offered much better paying jobs and much higher pay than we were getting from CPA. Even the manager [Brooks] drew only $200 a month for three years. After CPA began to become successful and people in business began to recognize the fact that CPA was going to be a success, then a

[1]Drucker, *Managing For Results*, pp. 190-191.

> determined drive was made to hire all of our capable employees away from us.
>
> As an illustration of this situation, by the time the manager was being paid $5000 a year, a firm came in and offered him a business deal that would have meant $50,000 a year if he would walk out. The plea was that the manager had ability to make big money, and regardless of his personal desire to bring about better agriculture and to work for farmers to raise their income level, his first duty was to his wife and children, and he did not have the right to continue to work for a salary of $5,000 a year when they were offering him an income of $50,000 a year, or, ten times as much. The manager's reply was that there was no chance to take the job regardless of what they offered: that [The] Cotton Producers Association had been started with the determination to make it succeed, with the firm hope that if it succeeded, it would make a tremendous impact on the income and economic well being of farmers in the area in which it operated; that those employees who came into CPA in the beginning fully understood and realized that they were willing to take a salary far less than they could draw in some other profession or in business for themselves. He further pointed out that he had personally brought the other employees into CPA and that he had a responsibility to them not to walk out on them . . .[1]

Naturally, a discussion of management resources and salary raises the question of what the levels of compensation were for management personnel. The established policy of CPA during its early years in regard to compensation of management was one of salaries below the then existing competitive level. This would be particularly true in view of the work week being six days rather than five. In reference to this practice, Brooks said:

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[1]D. W. Brooks, "What Is An Employee Worth?" *Dixie Co-Op News*, Vol. 9, No. 5 (December, 1958) pp. 3-4.

> . . . those of us responsible for the future of CPA did not believe we could build the kind of institution farmers wanted and needed in this country working five days a week. Therefore, I got all of the top people in CPA to agree to work six days a week.[1]

Management Compensation

The policy of low salaries also resulted, in good measure, from what the founders of CPA felt were the farmer-member attitudes toward the subject. It was felt that since the members were making sacrifices, they would not understand competitive salaries because to them such levels of compensation would be large, or possibly exorbitant. Moreover, the founders were very sensitive to criticisms that cooperatives in many instances had been guilty of over-compensation of management——indeed that some of them had been formed for such selfish aims.[2] It does not matter whether farmer-members of CPA felt this way, although there is some evidence that, because of rather unsatisfactory cooperative experiences prior to association with CPA, they did have some doubts. The important point here is that founders felt this way and overreacted to this potential source of criticism. Salary levels remained lower than those paid for comparable management positions during the first decade of operations.

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[1]D. W. Brooks, "CPA Employees," *Dixie Co-Op News*, Vol. 9, No. 3 (October, 1958), p. 3.

[2]Interview with D. W. Brooks, March 24, 1969.

It was during this current period, 1945-1950, that management of CPA began adjusting salary levels upward in order to narrow the discrepancies which existed. As Brooks says, the shortsightedness of the policy toward compensation was brought home to management in comments made by H. Lane Young, an Atlanta banker, a long-time friend and advisor to the cooperative. Young warned that it was unreasonable that Brooks drew little salary himself and that no one else was allowed to draw competitive rates. He felt that CPA, recognizing the necessity of operating according to the practices and using the techniques of noncooperative forms of enterprise wherever possible, should also recognize the necessity of equitable compensation programs. Young said that management had to realize that they could not hire everybody like they had the first few people who had come in with a dedication to do a job regardless of what the job paid.[1]

Comments such as these resulted in increased efforts to educate farmers to the need for revising salary and incentive programs for CPA management personnel. Even so, adjustment up to competitive levels was to be a slow process and one which is never ending. Fortunately, CPA management

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[1]Interview with D. W. Brooks, March 24, 1969, and article by him, "CPA Employees," *Dixie Co-Op News* (October, 1958), p. 4.

from the top down has concerned itself with the problem. This is documented by numerous comments by Brooks and other management personnel to the effect that the personnel problem, particularly for a farmer cooperative, is the most difficult part of the business operation, and it takes great patience and wisdom to effectively deal with it.[1]

An incentive payment plan put into effect early in the history of the association has been steadily improved and revised. The plan is available to all management personnel and wherever possible is directly related to productivity of the managers either in terms of sales volume or of net margin. An incentive system such as this provides a means through which farmer cooperatives may share operating results with their employees and it appears that such payments are more readily understood by farmer-members.

Incentive payment plans should not be used, however, to support a less than adequate level of basic compensation, or as a substitute for fair regional wages for the industry.[2] CPA, as have a number of cooperatives, has done this at one time or another.[3]

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[1]Brooks, "What Is An Employee Worth?" *Dixie Co-Op News* (December, 1958), p. 4, and interviews with C. W. Paris and others in upper level management.

[2]Nelda Griffin, *Employee Incentive Plans*, Farmer Cooperative Service, U. S. Department of Agriculture, General Report 104, August, 1962, p. 2.

[3]*Ibid.*, p. 2.

From available information on incentive plans and welfare and benefit programs in use by cooperatives, The Cotton Producers Association programs are at least as extensive as those employed by similar cooperatives.[1] In addition to the incentive pay program, contributory insurance and retirement programs are available as well as the other usual employee benefits.[2]

A separate personnel department was not to be established until the 1960-1961 fiscal year. Up to that time all personnel matters were handled as the responsibility of each division manager. In July, 1966, a further step in coordinating personnel relations and member relations would be taken with the appointment of O. H. Bowden as Director of Membership and Personnel Relations.[3]

There can be little doubt but what such a department or competent staff was much needed during the period, 1945-1950, inasmuch as sizeable recruiting and training was

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[1]Information upon which this comment is based is taken from Nelda Griffin, *Employee Incentive Plans in Farmer Cooperatives*, Farmer Cooperative Service, U. S. Department of Agriculture, General Report 62, 1959.

[2]*CPA/GOLD KIST Employee's Handbook*, July, 1968. The original employee retirement plan was established in the fiscal year, 1945-1946, and the insurance program somewhat earlier.

[3]"O. H. Bowden Appointed Director, Membership and Personnel Relations," *Dixie Co-Op News*, Vol. 17, No. 1 (July, 1966), p. 2.

accomplished during this period. Yet, due to close attention to manpower needs and the abilities of the various managers in this matter, an overall effective job was done. Greater coordination and control of the personnel function would be obtained when a formal department would be established as referred to earlier.

College Relations Programs[1]

It is quite natural, as a result of relationships established with Colleges of Agriculture owing to the similarities of interest, that CPA began recruiting young men from the agricultural colleges. The dependability of this source as contrasted with walk-in applicants or referrals from local associations naturally resulted in its usage. The colleges included have been gradually expanded as the association has broadened its scope of operations from four in 1945 to twenty-three in 1968. Only students in colleges of agriculture were interviewed prior to 1968, but beginning in that year students in colleges of business administration were also interviewed. The number of trainees hired from these sources has increased steadily to between 75 and 100 employees annually.

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[1]This discussion is based on an interview with Ossie H. Bowden, Director, Membership and Personnel Relations, December 20, 1968.

Membership Has Ultimate Administrative Control

The continued reference to a deep concern over the attitudes of members of CPA toward compensation policies as well as other aspects of management is entirely appropriate. This is true because the

> . . . cooperative form of incorporated organization is designed to keep ultimate administrative control in the hands of members who, as customers, are directly interested in the services provided by their association. The special form of a cooperative organization thus places a great administrative responsibility on members that cannot be shifted.[1]

Therefore, the cooperative management must be greatly concerned with the attitudes of its owners, who are also the consumers and users of the services.

In some respects this complicates the job of training which must be accomplished by cooperatives, inasmuch as a continuing education program must be provided, not only to management, but to members and to boards of directors as the group delegated by members to exercise direct administrative control. It is for this reason that it is frequently remarked that cooperative management is confronted with more problems than management of ordinary business corporations with comparable activities.[2] While arguing the merits of

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[1]Joseph G. Knapp, *Farmers In Business* (Washington, D. C.: American Institute of Cooperation, 1963), pp. 131-132.

[2]Milton L. Manuel, *Improving Management of Farmer Cooperatives*, Farmer Cooperative Service, U. S. Department of Agriculture, General Report 120, June, 1964, p. 1.

this point of view is not appropriate here, it would probably be agreed by all that the management tasks do differ and that cooperatives face a special kind of human relations problem in dealing with member patrons.

The sum total of management responsibilities in cooperatives can be depicted as a pyramid consisting of three parts as shown in Figure 5-1.[1] The pyramid depicts the total responsibility of management which must be dealt with by members of the total management team. Members are at the base of the pyramid because the aspects of management which they must furnish are basic to the cooperative. The directors' sector lies on the foundation of members and the base for directors is narrower than that for the membership, illustrating that duties and responsibilities flow from the members.

At the apex of the pyramid illustration is hired management whose management authority is delegated by the board. The responsibilities of hired management derive from the responsibility vested in the board of directors by members.

Space occupied by each portion of the team is not intended to suggest actual proportions of responsibility,

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[1]This discussion is based largely on Milton L. Manuel, *Improving Management of Farmer Cooperatives*, pp. 11-13.

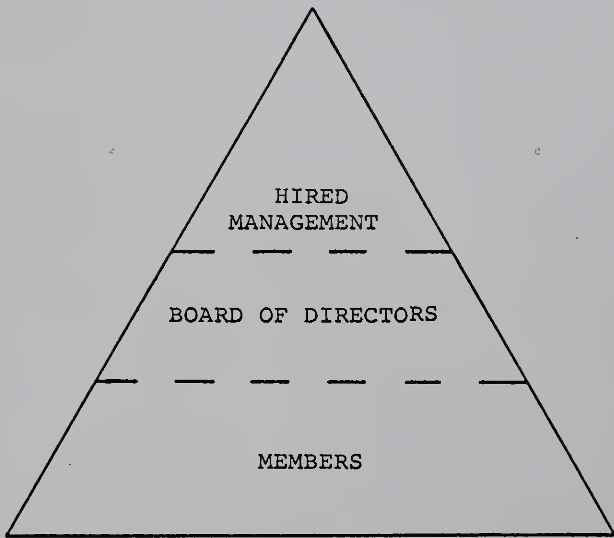

Figure 5-1. The Cooperative Management Team

Source: Milton L. Manuel, *Improving Management of Farmer Cooperatives*, Farmer Cooperative Service, U. S. Department of Agriculture, General Report 120, June, 1964, p. 11.

but rather merely to show relationships. The dotted line used in separating the three elements is symbolic since, in practice, no hard and fixed line of demarcation can be drawn between areas of management responsibility. It is, of course, basic that the board separate members from hired management. Only chaos would result otherwise, yet successful management requires the effective coordination of all three parts of the team.

It is essential, therefore, that members be intimately and personally related to affairs of the cooperative. Organizations operating under entirely sound business principles have failed because management neglected or was unable to develop membership confidence and loyalty.[1] Ultimately, the responsibility for insuring that communication can and does take place rests with management, because experience has shown that members often do not automatically assume their responsibilities.

One of the ways in which CPA management has attempted to provide a means and furnish the opportunity for communication has been to work through a local association wherever possible. Also, heavy reliance has been placed on local boards, as well as on the CPA Board of Directors, to educate

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[1]Kelsey B. Gardner, *Managing Farmer Cooperatives*, Farmer Cooperative Service, U. S. Department of Agriculture, Educational Circular 17, 1963, p. 11.

the membership to improved farm management practice and these sources have been utilized to explain operations and the cooperative form of organization.

Annual membership meetings at the local level with heavy participation by CPA management, along with an annual membership meeting of delegates representing all CPA patrons, have also been used to develop greater membership consciousness and interest in the operations and affairs of the association.[1] Membership attendance at these meetings is a goal highly sought after by CPA management and a rather impressive attendance record has been the result.[2]

Other vehicles used to communicate with members and patrons have included motion pictures devoted to telling the story of The Cotton Producers Association and the publication of an award-winning house organ on a monthly basis continuously since August, 1950.[3] This publication,

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[1]Annual membership meetings of the entire association have been held during November or December in Atlanta each year with the exception of those years during the period of World War II.

[2]Almost three thousand delegates were in attendance at the thirty-fifth annual meeting held in Atlanta in November, 1968. As to membership at local meetings, a memorandum dated November 27, 1968, from O. H. Bowden to all managers in CPA, on the subject of attendance by members at local annual meetings, reported that total attendance has exceeded 20,000 every year since 1959, and in some years has exceeded 25,000 members.

[3]Three motion pictures have been produced over the years, all having as their theme the story of the association. The most recent one entitled "To Fill A Need" became available in 1968.

Dixie Co-Op News, with an original annual subscription rate of twenty-five cents to members, subsequently increased to fifty cents per year, provided a readily available and continuing means of communicating with members, many of whom would otherwise not be in contact with the association for at least a portion of the year.

Relationships with agricultural colleges have been mentioned in connection with research and recruiting of management trainees. It is only natural that this would lead to CPA actively encouraging students to pursue agriculture as a course of study and, in order to facilitate this, has established scholarship programs. Furthermore, working closely with Future Farmer of America and 4-H groups at the local level was a policy established early in the history of the organization. These efforts present CPA with the opportunity to improve member and public relations on a short- and long-range basis it is true, but perhaps even more importantly provide them with a valuable pool of potential management personnel in future years.[1]

Finally, in an attempt to develop and maintain valuable member and public relations, all management

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[1]Oscar R. LeBeau and John H. Heckman, *Cooperative Business Training for Farm Youth*, Farmer Cooperative Service, U. S. Department of Agriculture, Circular 1, 1954, p. 1.

personnel have been continually encouraged to establish themselves as active participants not only in various community affairs, but, as earlier mentioned, also in whatever industry associations and business associations are appropriate. Such involvement, of course, leads to opportunities to explain the cooperative way of conducting business and its benefits to farmers and at the same time provides valuable training and experience for management.

That CPA has done a highly creditable job, both in marketing and purchasing activities, in an area in which the past history of farmers' cooperatives has been marked by many failures, has no doubt reduced the membership loyalty problem to a degree. Yet, the major importance of such an impressive economic record is that it offers even greater opportunities for service, if farmers can be educated to this most important singular reason for agricultural cooperation.

Divisional Activity During This Period

Cotton Division

The principal activity with which the cotton division was concerned during this period was readjustment to a post-war cotton market and to changes which occurred in farm policies with respect to basic commodities.[1] In facility

[1]For a detailed discussion of changes and proposals for change in farm policies of the Federal government during this period see: Murray R. Benedict, *Farm Policies of the United States, 1790-1950* (New York: Twentieth Century Fund, 1953), Chapter 18.

growth, an additional cotton warehouse was acquired at Cullman, Alabama, bringing the total number of warehouses to eight at the end of this period.

Continued efforts were made to educate farmers to a quality cotton program as well as to the potentialities of alternate crops. Discussion of appropriate fertilization and insecticide programs comprised much of this program.

Volume of cotton marketed ranged from a low of $15 million in fiscal year 1945-1946 to a high of $56 million, the second largest volume in the entire history of the association, in the fiscal year ending June 30, 1949. Net margins ranged from a net loss of $243 thousand in the fiscal year ending June 30, 1947, to a high of over $500 thousand, the second largest all-time net margin for the cotton division, for the fiscal year 1948-1949. (Full details on volume and margin are summarized in Table 5-1.)

Purchasing Division

The purchasing division continued the growth begun in the previous period, and, as is indicated by Table 5-1, reported a sales volume for the fiscal year ending June 30, 1950, of over $6 million and a net margin on that volume of over $300 thousand.

This growth is attributed to a number of factors. Among them are the opening of more retail stores, expanded

Table 5-1

Volume of Business and Net Margin[a] by Divisions of The Cotton Producers Association, 1945-1946 through 1949-1950

(cents omitted)

	Cotton Division		*Purchasing Division*		*Grain Division*		*All Divisions*	
Year	*Sales Volume*	*Net Margin*	*Patrons' Purchases*	*Net Margin*	*Sales Volume*	*Net Margin*	*Total Volume*	*Total Net Margin*
1945-1946	$15,730,523	$343,996	$2,746,977	$155,100	$ . . .	$ . . .	$18,477,500	$499,096
1946-1947	19,794,581	(242,944)	3,271,968	252,520	. . .	. . .	23,066,549	9,576
1947-1948	20,262,689	24,532	4,522,976	293,030	158,382	(8,300)	24,944,047	309,262
1948-1949	56,993,848	521,230	5,240,537	246,844	200,700	43,284	62,435,086	811,355
1949-1950	29,553,494	(146,921)	6,007,147	328,352	149,546	49,589	35,710,187	331,020

Source: Data for this table were obtained from annual audits of the association prepared by professional auditing firms.

[a]Figures shown in parentheses indicate a net operating loss.

lines of farm supplies and seed, and growth in fertilizer and feed sales.

At the end of June, 1950, there were thirty farm supply stores, including farmers' mutual warehouses affiliated with CPA, and distributing a full line of farm supplies and seed. Included among these was the first farm supply store, or FMX, outside the State of Georgia. Located in Cleveland, Tennessee, it had been started during 1948 and transacted about $100 thousand in volume in its first year of operation.

The effect on sales volume of the various classes of farm supplies handled by The Cotton Producers Association and the movement of total sales volume of the purchasing division can be seen in Figure 5-2. This illustration is also useful in showing the points in time when various new classes of farm supplies became available through the farm supply stores. Seed and farm supplies, other than feed and fertilizer, were contributors to volume for the first time in the fiscal year, 1945-1946.

CPA recognized that, in order for farmers to obtain the best results in their efforts, a quality seed program was needed. Georgia, and other Southeastern states, had long been a dumping ground for poor quality seed.[1] It was,

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[1]Interview with D. W. Brooks, March 24, 1969.

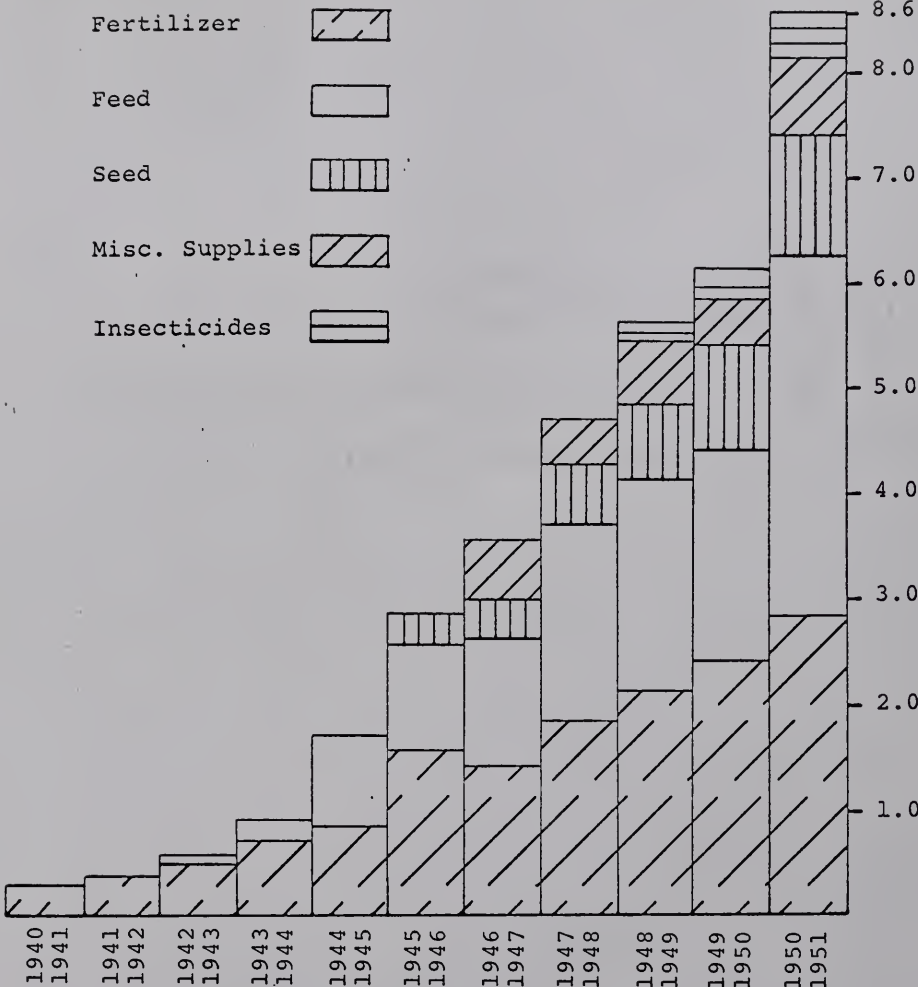

Figure 5-2. Supply volume by principal category of farm supplies for fiscal years June 30, 1941 through June 30, 1951 (in millions of dollars)

Source: Taken from *Dixie Co-Op News*, Vol. 2, No. 1 (August, 1951), p. 3.

however, 1945 before the association was able to put a quality seed purchasing and processing department into operation. Two seed processing plants were started up at Dublin and Temple, Georgia. At the Dublin plant, grain, lespedeza, clovers, sorghums, corn and other seed were received, processed, bagged and stored. At the Temple plant, cottonseed produced in the area was received, graded, delinted, treated, and bagged.[1]

In 1947, a potato dehydrating plant at Vienna, Georgia, was acquired and converted into an up-to-date seed drying and processing plant for blue lupine seed. This plant was also large enough to be used for warehousing of farm supplies.[2] By June 30, 1950, in addition to the foregoing locations, seed processing plants were in operation at Royston, Waynesboro, and Hawkinsville, Georgia, Live Oak, Florida, and Cleveland, Tennessee.[3]

From the outset the bulk of the seed handled by CPA was grown under contract and under the supervision of the association by farmer-members. A copy of the seed contract currently in use is contained in Appendix D.

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[1]John H. Lister and Clarence E. Pike, *The Cotton Producers Association*, p. 53.

[2]Lister and Pike, *The Cotton Producers Association*, p. 53.

[3]"Blue Lupine Season Largest on Record: CPA Handles 20 Million Pounds For Farmers" *Dixie Co-Op News*, Vol. 1, No. 1 (August, 1950), p. 4-5.

Seeds that cannot be produced by farmers in the area are purchased in bulk on a specification basis from other cooperatives and various other supply sources. Seeds obtained in this way are bagged under the brands of the association.[1]

In order to provide a full line of farm supplies to farmer-members, CPA became a member of United Cooperatives, Inc., a purchasing and manufacturing cooperative, which presently is owned by thirty-three regional cooperatives. This cooperative sells a varied line of farm supplies from its headquarters location in Alliance, Ohio, under the brand name, Unico. This affiliation made it possible for the farm supply stores of CPA to offer metal products, paint, tires, lubricating oils, farm equipment, and other farm related merchandise. CPA has purchased virtually all of its miscellaneous farm supplies from this source since 1945. The management of CPA has served in executive capacities within United Cooperatives, Inc., for many years.[2]

With these efforts, the purchasing division was able to supply the farmer-members with their total farm needs. Therefore, management turned its attention to a

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[1]Interview with D. W. Brooks, March 24, 1969.

[2]As an example, C. W. Paris has served as Secretary, President, member of the Board of Directors, and member of the Executive Committee for United Cooperatives, Inc.

further broadening of the retail store network so that more members might be served and all members, due to economies of scale, might be served at a greater savings.

The purchasing division continued to experience improved fertilizer sales due to more and better distribution outlets as well as continued aggressive promotion of a quality product suited to the area. Feed distribution continued to grow, in no small measure, due to the continued growth of the broiler industry in North Georgia.

CPA found that a supply of quality chicks was essential to successful poultry operations when it began financing growers, with the grower retaining the risk, during 1949-1950.[1] Consequently, during 1950 a hatchery was constructed at Gainesville, Georgia, as one of the first steps in what was to become a fully integrated poultry operation in a few short years and a separate division of CPA.

Grain Division

Farmer members growing grain, principally, corn, were very much interested in securing improved marketing facilities for their crop, and, in 1947, approached CPA about the possibility of a grain operation. Due to the growth of the broiler industry, a local market was developing

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[1]Taken from interviews with William C. Pulliam, Manager of Gold Kist Poultry Division and Ralph D. Mobley, Assistant Manager, Gold Kist Poultry Division, December, 1968.

for Southeastern grain and there seemed to be a likelihood of other crops increasing in production if proper methods were adopted. Grain crop production had been basically haphazard and the seed used had been inferior.[1]

Management, upon investigation, decided that there was a need and an opportunity to improve current conditions; therefore a grain marketing operation was begun in 1948 to handle all types of grain in the Southeastern states. At that time there were no organized markets or proper storage facilities in the Southeast.[2] CPA felt that efficient and economical grain storage was one of the first problems to be met. Such facilities would enable the grower to hold his grain rather than be forced to sell at harvest. Investigation had shown that prices of corn in many cases doubled from Fall to Spring.[3]

To alleviate some of these problems, CPA constructed a 300,000-bushel grain elevator at Waynesboro, Georgia, which was available for usage in late 1950. This step was taken only after CPA had conducted a pilot plant operation at Vienna, Georgia, for two seasons.[4] Once the Waynesboro

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[1] "Grain Growing and Marketing Have Promising Future in SE," *Dixie Co-Op News*, Vol. 8, No. 7 (February, 1958), p. 5.

[2] "Farmers Urged to Market Corn through Own Association," *Dixie Co-Op News*, Vol. 9, No. 2 (September, 1958), p. 1.

[3] "CPA Builds South's Largest Grain Elevator," *Dixie Co-Op News*, Vol. 1, No. 1 (August, 1950), p. 1.

[4] *Ibid.*, p. 1.

facility was completed, dollar volume of grain marketed jumped up from less than $200,000 per year to almost $1,000,000 in its first year of operation. Despite market conditions and management unfamiliar with grain marketing, the grain division contributed a total net margin of over $80,000 in its first three years of activity (for further details on volume and margins of the grain division, see Table 5-1).

Continued Accelerated Growth

CPA continued its expansion and diversification during the period, 1945-1950, and management felt that efforts up to this time were only a beginning of growth to come. This is one of the major reasons why they were so concerned with building a solid foundation of management talent during this period.

As shown in Table 5-1, operations by the association resulted in a net margin in each of the years between 1945-1946 and 1949-1950. The year 1948-1949 resulted in the largest net margin in the history of CPA. It is apparent that the purchasing division had become the workhorse of the association. The difficulties with profitable operations in the cotton division stemmed mainly from market conditions.

Table 5-2 shows the total assets of the association by division as well as the investment in facilities of each

Table 5-2

Total Assets and Facility Investment[a] by Divisions of The Cotton Producers Association for the Years 1945-1946 through 1949-1950

(cents omitted)

	Cotton Division		*Purchasing Division*		*Grain Division*		*All Divisions*	
Year	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Total Facility Investment*
1945-1946	$7,790,673	$423,668	$ 897,616	$229,773	$ . . .	$ . . .	$8,688,289	$ 653,441
1946-1947	4,037,016	545,141	1,556,879	312,297	. . .	. . .	5,593,895	857,438
1947-1948	2,964,990	578,546	1,900,945	439,309	100,000	81,965	4,965,935	1,099,820
1948-1949	2,911,930	688,385	2,800,605	503,229	125,000	101,895	5,837,535	1,293,509
1949-1950	3,514,941	876,744	2,862,488	730,272	1,269,994	430,841	7,647,423	2,037,857

Source: Taken from financial records of The Cotton Producers Association.

[a]Shown at cost.

division during the period. Facility investment nearly tripled during these five years, represented principally by growth in purchasing division facilities and the inception of the grain operation. The changes in total assets occurred mainly from adjustments in cotton inventory.

CHAPTER VI

DIVERSIFICATION: 1950-1951 THROUGH 1955-1956

Greater Range of Activities

This period marked a further movement into the provision of marketing services for the membership of The Cotton Producers Association. During these years: the grain marketing service became fully operational (1951); a pecan marketing service (1951), and a livestock marketing service (1952), were started; and the broiler operation was fully integrated (1952). Quite naturally these new and expanded activities contributed considerably to dollar volume transacted by the cooperative, but due to problems inherent in getting the new operations underway, annual net margin did not advance in the same proportions.

These further expansion steps during this period, in many cases, meant that young men who had come into the organization, as a result of the increased emphasis on management development, were rapidly thrust into positions of considerable responsibility. This situation was to be repeated numerous times as CPA continued its expansion and diversification. According to C. W. Paris, Executive Vice President and General Manager, the history of CPA,

in its attempts to plan management needs, has been such that young men in the organization have been advanced more quickly than might be desired under optimum operating conditions.[1]

This rapid advancement of trainees into responsible management positions has both created as well as alleviated problems in management development. Problems have been experienced in helping young managers adjust to the responsibilities of their positions and in providing optimum control procedures for the varying levels of maturity and varying levels of developed management abilities. The problems alleviated by this rapid advancement of trainees center mainly around the morale of trainees. Each is virtually assured of placement in the management hierarchy as rapidly as he demonstrates ability and interest. The continual shortage of qualified management has meant that the problems associated with maintaining a pool of management personnel have never arisen. Moreover, the record of advancement of trainees has had a positive effect on recruiting efforts.[2]

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[1]Interview with C. W. Paris, March 24, 1969.

[2]Interview with O. H. Bowden, Director of Personnel and Member Relations, December 20, 1968.

Marketing Operations

Cotton Division

During the years under review, 1950-1956, cotton marketing activity reached its peak and since then has been in the process of retrenchment.[1] Factors leading to this included the existence of government programs which were adverse to further development of cotton marketing activities by CPA, continuing increases in foreign production, and, consequently, competition, and a continuing increase in domestic competition from synthetics.[2] Cotton production in the states of Georgia, Alabama, South Carolina, and Florida for the years 1946-1960 is summarized in Table 6-1.

Tremendous growth had occurred in the production of cotton in Arizona during the decade of the 1940's. Because CPA had an established cotton marketing operation capable of handling a larger volume and because farmers

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[1]Interview with William W. Gaston, Vice President Marketing, December 23, 1968.

[2]This statement based on interviews with W. W. Gaston and P. L. Brauner, Director Cotton Merchandising, during December, 1968, and March, 1969, and from the publication, *Cotton and Related Data, 1930-67*, Economic Research Service, U. S. Department of Agriculture, Statistical Bulletin 417 (March, 1968), and its supplement issued January, 1969.

Table 6-1

Production of Cotton in the States of Georgia, Alabama, South Carolina, and Florida for the Years 1946-1960

(in 500 pound gross weight bales)

Year	*Georgia*	*Alabama*	*South Carolina*	*Florida*	*Total*
1946	557,000	822,000	697,000	6,000	2,082,000
1947	651,000	931,000	651,000	11,000	2,244,000
1948	751,000	1,197,000	871,000	15,000	2,834,000
1949	604,000	852,000	554,000	16,000	2,026,000
1950	488,000	575,000	405,000	14,000	1,482,000
1951	931,000	909,000	871,000	32,000	2,743,000
1952	731,000	890,000	657,000	31,000	2,309,000
1953	752,000	963,000	690,000	27,000	2,432,000
1954	612,000	728,000	501,000	25,000	1,866,000
1955	701,000	1,045,000	572,000	24,700	2,342,700
1956	579,000	750,000	513,000	13,500	1,855,500
1957	396,000	530,000	344,000	10,100	1,280,100
1958	352,000	439,000	299,000	9,100	1,099,100
1959	521,000	718,000	417,000	13,500	1,769,500
1960	505,000	756,000	414,000	16,700	1,691,700

Source: U. S. Department of Agriculture, *Agricultural Statistics, 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

in that area had invited them, the association began operations in Arizona during 1953.[1]

Due to the efforts of W. A. Burns in organizing farmers there, about 50 thousand bales of cotton were handled from the 1953 crop.[2] This was accomplished through the establishment of a sales office in Phoenix, Arizona, and a ginning operation located at Marana, about 100 miles southeast. In the first year the gin processed over 10 thousand bales of cotton. It was not long before the Arizona sales office was handling nearly 100 thousand bales yearly.[3]

Two additional ginning operations were added during this period and a fourth gin would be added in 1958. Each of these operations, shortly after opening, was ginning in the neighborhood of 30 thousand bales of cotton per year.[4]

Cotton production methods in Arizona necessitated a much larger investment by the farmers than was true in the Southeast due primarily to the fact that all cotton

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[1]Production of cotton steadily advanced in Arizona from about 100 thousand bales in the 1940's to almost 1 million bales in the 1953 crop year, C. B. FunderBurk, "CPA Operations in Arizona," *Dixie Co-Op News*, Vol. 4, No. 7 (February, 1954), pp. 1 and 8.

[2]*Ibid.*, p. 8.

[3]"Buyer Meets Grower at Arizona Operations," *Dixie Co-Op News*, Vol. 12, No. 5 (December, 1961), p. 8.

[4]*Ibid.*

was irrigated. However, the yields per acre were considerably higher than those in Georgia, occasionally as much as three times as great. Investment required on the part of CPA in cotton marketing facilities was less, inasmuch as no indoor warehousing of inventories is required in the dry climate.[1]

The major market for high-grade Arizona cotton existed in the mills located in the Eastern United States although some of it moved into export markets.[2] Operations in Arizona were quite profitable during the mid-1950's, yet, overall, operations in the cotton division continued to be sporadic in their contribution to net margin. The fiscal year ending June 30, 1955, was particularly bad, not only for cotton, but also in other marketing activities due in part to an extremely severe drought which resulted in 108 of 159 Georgia counties being declared disaster areas by the Federal government.[3] Erratic market conditions and falling commodity prices further aggravated conditions to such an extent that Brooks commented that: ". . . we were very much concerned many times during the year that

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[1]Interview with D. W. Brooks, March 24, 1969.

[2]Interview with P. L. Brauner, December 23, 1968.

[3]R. L. Vansant, "Emergency Loans Available to 108 Georgia Counties," *Dixie Co-Op News*, Vol. 5, No. 2 (September, 1954), p. 1.

we might lose our record of continuous net margin and refunds for each year since organization."[1] The cotton division suffered a net loss of one million dollars in that year, yet because of a good performance by the purchasing and pecan divisions a net margin from overall operations of $95,331 was earned.[2] The net loss from cotton marketing operations sustained was to be the last one for a period of ten years. Net margin contribution of the cotton division the following year, 1955-1956, was nearly $250,000.[3] Continued problems in the market for cotton produced in the Southeast, however, meant that CPA was showing a net margin from cotton operations only by diligence in seeking out and maintaining sales opportunities. (Complete operating results for the cotton division during this period are contained in Table 6-6 at the end of this chapter.)

Grain Division

The completion of the Waynesboro elevator for the 1950-1951, season as previously mentioned, put the grain marketing activity, under the management of Tom C. Wiggins, into full operation during this period. The Waynesboro

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[1] "Annual Report for the 1954-55 Fiscal Year," *Dixie Co-Op News*, Vol. 6, No. 4 (November, 1955), p. 2.

[2] From financial records of The Cotton Producers Association.

[3] *Ibid.*

location, chosen for its proximity to the lupine producing area south of Waynesboro and the small grain producing area north of that town, was situated on rail transportation and served both as a country receiving point and as a terminal elevator. As a terminal elevator, grain was being brought in for both storage and marketing from collection points at CPA affiliated local farmer cooperatives within a 100 mile radius of Waynesboro.[1]

From the opening of the Waynesboro elevator, storage was inadequate and storage was performed at several other points in Georgia during the 1950-1951 year. Total volume of grain handled in the first year was 606,800 bushels, 380 thousand bushels of which were corn and 120 thousand bushels in oats.[2]

After the first year of operations, plans were formulated to expand storage capacity at Waynesboro by 400 thousand bushels. Construction of additional storage facilities was completed in 1951 and a small country-type elevator (45-thousand-bushel-capacity) was built at Valdosta, Georgia. As had been expected, it was going to be necessary to handle considerable quantities of grain

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[1]"CPA Builds South's Largest Grain Elevator," *Dixie Co-Op News*, Vol. 1, No. 1 (August, 1950), p. 1.

[2]Tom Wiggins, "Grain Marketing Provides Needed Service," *Dixie Co-Op News*, Vol. 2, No. 1 (August, 1951), p. 6.

if operations were to be profitable, due to grain being a very small margin commodity.[1] Still this endeavor on the part of CPA to store and market corn and small grain was quite an accomplishment in view of the long held opinion that grain could not be successfully stored in the Southeast because of insect damage and high humidity.[2]

During this period, 1950-1956, the grain division continued to expand receiving stations for grain, negotiated more favorable loan maturity dates with the Commodity Credit Corporation, and successfully negotiated more favorable interstate railroad rates for grain.[3]

So that a closer relationship might be realized with grain farmers in the Southeast, an advisory board of twelve leading grain farmers was organized in early 1956.[4] The function of the board in addition to advising CPA management on grain policy included serving as spokesman for the association to farmers regarding such policies,

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[1]Tom Wiggins, "Grain Marketing Provides Needed Service," p. 6.

[2]"700 Attend CPA Annual Meeting," *Dixie Co-Op News*, Vol. 2, No. 5 (December, 1951), p. 1.

[3]Tom Wiggins, "More Services to Farmers Noted by CPA Grain Marketing Division," *Dixie Co-Op News*, Vol. 5, No. 1 (August, 1956), pp. 1 and 6.

[4]Interview with W. W. Gaston, Vice President of Marketing, December 22, 1968. Gaston was Manager of the Waynesboro elevator during this period of time.

as well as educating grain farmers to the services offered by CPA.

Progress of the grain division was interrupted May 25, 1955, when the first serious accident in the twenty-two-year history of the association's plants occurred at the Waynesboro elevator. An explosion, thought to have been caused by a spark from a safety control panel, did considerable damage to the facilities and some damage to the grain inventory. A new 400-thousand-bushel-capacity storage building was not damaged and temporary repairs to the elevator enabled the grain division to continue operations while the necessary rebuilding was performed.[1] According to Brooks, this enabled the handling of most of the grain produced by members in the area and also prevented the accident from having an even more serious effect on grain operations for the year.[2]

While rebuilding was not complete until the 1955-1956 fiscal year, operations continued to expand as rapidly as was possible. Table 6-2 shows the growth in volume of grain handled in the five years through June, 1956. Large increases in the volume of corn and of oats are significant and serve to indicate the existence of need in the area for

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[1]"Grain Elevator Providing Storage Despite Explosion," *Dixie Co-Op News*, Vol. 5, No. 11 (June, 1955), p. 3.

[2]"Annual Report for the 1954-55 Fiscal Year," p. 2.

Table 6-2

Volume of Grain Marketed by CPA in the Years
1951-1952 through 1955-1956

(bushels)

Grain	*1951-1952*	*1952-1953*	*1953-1954*	*1954-1955*	*1955-1956*
Corn	528,282	623,522	824,643	405,126	1,345,562
Oats	380,052	575,811	1,557,699	1,242,407	1,112,426
Wheat	184,555	299,561	375,557	268,430	358,679
Other[a]	75,435	55,980	223,293	37,810	68,790
Total	1,168,324	1,554,874	2,981,192	1,953,773	2,885,457

Source: Records of the grain division, The Cotton Producers Association.

[a] Principally soybeans.

marketing and storage facilities for grain. Corn was the major grain crop planted on the most acres in the area. It also was probably the grain crop with the greatest opportunity for expansion in the area. Even though there was a surplus in corn nationwide, the Southeast was a deficit area due to the sizeable growth of poultry and livestock and the consequent location of feed mills in the region to serve these activities.[1]

Production of corn for grain in the three-state area of Georgia, Alabama, and Florida for the ten-year period, 1947-1956, is shown in Table 6-3. While there were no sizeable increases in corn production, the quality of the crop and per acre yields were steadily improving due primarily to improved seed corn, fertilization, and better market opportunities. By 1956, there were a number of commercial corn counties in Georgia, whereas there had been none in the mid 1940's.[2]

The grain division began its educational programs on grain crops during these years, encouraging farmers to increase their acreages of grains for which there was a market. One such crop was soybeans which could be advantageously grown in all of the areas in which CPA was

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[1]Comments made by Tom C. Wiggins, Director of the Grain Division, to the members concerning 1955-1956 operations.

[2]"Grain Growing and Marketing Have Promising Future in SE," *Dixie Co-Op News*, Vol. 8, No. 7 (February, 1958), p. 5.

Table 6-3

Corn Production for Grain in Georgia, Alabama, and Florida, 1947-1956
(1,000 bushels)

State	*1947*	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*
Georgia	44,085	44,268	53,820	41,664	40,864	28,980	47,820	26,256	53,568	51,936
Alabama	41,385	55,781	52,524	42,693	23,694	43,318	43,318	27,593	62,160	51,850
Florida	6,552	4,840	6,110	5,320	6,054	6,216	5,924	5,882	7,200	7,644
Total	92,022	104,535	113,711	99,508	89,621	58,890	97,062	59,711	112,928	111,430

Source: U. S. Department of Agriculture, *Agricultural Statistics, 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

operating at this time. Prior to 1950, there was no soybean production in Florida and very little in Georgia and Alabama. By 1956, this crop had become established in all three of these states although total production in these states was only 4,178,000 bushels in that year.[1]

Total sales volume for the grain division reflected, in the fiscal year 1950-1951, the fact that the division was in full-scale operation. Volume in that year was $950,650, an increase of over $100 thousand from the previous year. Increases, though not as large, continued to occur throughout the period and for the fiscal year ending June 30, 1956, the value of grain marketed was almost $2.5 million. Net margin did not follow the sales volume pattern due to a high facility cost, further increased by the rebuilding of the elevator in 1955, and for the five-year period ending in 1961 a net loss of over 500 thousand dollars had been sustained. (Full details on volume and net margin for the grain division are found in Table 6-6 at the end of this chapter.)

Pecan Division

D. W. Brooks said in commenting about the acquisition of pecan facilities during fiscal year 1950-1951:

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[1]U. S. Department of Agriculture, *Agricultural Statistics, 1939-1968* (Washington: Government Printing Office, 1968).

> . . . pecan growers . . . have always wanted their own marketing and processing facilities. Farmers have at last acquired the facilities necessary to do a good job in marketing their pecans. The association is now in position to do a job that will, over the years, return many thousands of dollars to growers in the form of savings which can be made in processing and marketing.[1]

While what Brooks said was certainly true, the management might have preferred to delay their entry into pecan marketing and processing operations for a time. The growth of other activities and the established priorities would have, perhaps, dictated other diversification efforts at the time. For these reasons, when they were approached by the owners of a pecan processing business in South Georgia, the initial interest in an opportunity to purchase the pecan operations was low.[2]

As matters developed, the opportunity was too attractive to refuse and CPA entered into an agreement to purchase one of the world's largest, most modern pecan cracking and shelling plants along with a pecan polishing plant, both of which were located in Waycross, Georgia. Also acquired in this transaction was the trade name, Gold Kist, and the use of the trade name, Duncan Hines. The latter was subsequently discontinued, but the name

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[1]"CPA to Process and Market Growers Pecans," *Dixie Co-Op News*, Vol. 1, No. 2 (September, 1950), pp. 1-2.

[2]Interview with C. W. Paris, February 14, 1969.

Gold Kist plays an important part in the continuing history of CPA.[1]

The pecan division, managed by O. W. Thompson, was begun under the name of Gold Kist Pecan Growers with headquarters at Waycross, Georgia, until 1958, when it would be moved into the central office in Atlanta. Inasmuch as it was the only pecan marketing cooperative in the United States, operations were, from the outset, conducted throughout the entire pecan belt, from Georgia through Texas.[2] The states of Texas and Georgia were producing about one-half of total U.S. supply with the remainder being produced in the states of Alabama, Arkansas, Florida, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, and South Carolina.[3]

The Waycross facilities, which included cold storage rooms of more than 3.5 million pounds capacity, were operated on a year-round basis. Where CPA had affiliated agencies, they acted as receivers of pecans from farmers and where there were no CPA operations, other arrangements were made. The pecan program was operated similarly to other existing marketing programs then in effect

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[1]"CPA to Process and Market Growers Pecans," p. 1.

[2]Interview with James L. Dendy, Jr., Director, Gold Kist Pecans, December 19, 1968.

[3]"CPA to Process and Market Growers Pecans," p. 1.

in terms of advances made to growers and payment of any refunds accruing from operations.

The pecan market has always been volatile due in large measure to the variability of supply. This emphasizes the need for a deferred settlement pool which was established by CPA and it also emphasizes the need for a means to store pecans until more favorable market conditions develop. CPA has, over the years, been a sponsor of research to improve upon storage methods for pecans. The result of such research is that pecans in recent years can be stored indefinitely at zero degrees with little or no quality deterioration.[1] Some idea of the variation in annual production of pecans can be gained from Table 6-4 which contains production figures for Georgia, Alabama, and Florida.

Pecans have always been basically an ingredient product and that market, requiring a shelled nut in bulk, is basically stable. Historically, 85 to 90 percent of CPA output has been sold to this market. The principal customers for this portion of output are food manufacturers, shelled-nut repackers, and ice cream manufacturers, with the latter purchasers requiring a further process of roasting, which is done in the Waycross plant. The in-shell

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[1] Interview with William W. Gaston, December 23, 1968.

Table 6-4

Pecan Production in the States of Georgia, Alabama, and Florida for the Years 1950-1960

(1,000 pounds)

State	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Georgia	41,000	51,000	50,500	56,600	20,000	10,000	60,000	7,500	45,000	42,000	37,700
Alabama	11,700	26,000	14,400	30,000	8,000	8,000	30,500	4,000	36,000	15,200	17,300
Florida	4,150	5,280	4,300	7,300	2,560	10,900	4,000	2,400	2,400	4,500	1,800
Total	56,850	82,280	69,200	93,900	30,560	28,900	94,500	13,900	83,400	61,700	56,800

Source: U. S. Department of Agriculture, *Agricultural Statistics, 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

market for pecans, ordinarily less than 10 percent of output, consists mainly of sales to repackers or distributors.[1]

When the association entered the market for pecans in the 1950-1951 fiscal year, the first effect was that competing handlers of pecans began bidding up the price of pecans. As had happened with other commodities: "When CPA entered pecan marketing, farmers were receiving ten to twelve cents per pound—in two weeks, the same farmers were getting twenty-two cents."[2]

In the first year of operations, more than 5 million pounds of pecans were marketed for the members in the following states, listed in order according to tonnage marketed: Georgia, Florida, Texas, Alabama, South Carolina, Mississippi, and North Carolina.[3] This level of activity resulted in sales volume in the first year of operations of just over $2 million, with the pecan division contributing $86 thousand to the net margin of the association. In the following four of the first five years of operation, volume

[1] Interview with Don Gabriel, Plant Manager, Waycross Pecan Plants 1 and 2, March 18, 1969.

[2] "Must Raise Dixie Income, Brooks Tells CPA Members," *Dixie Co-Op News*, Vol. 5, No. 5 (December, 1954), p. 3.

[3] Information on volume and net margin taken from the records of the Marketing Division, The Cotton Producers Association.

of the pecan division was over $2 million and for the fiscal year ending June 30, 1956, totaled over $4 million. The division contributed over $100 thousand annually to net margins in each of the years in this period and in the years 1953 and 1955 nearly $200 thousand. As was stated earlier, it was the performance of the pecan division and purchasing division in 1955 which enabled CPA to overcome a sizeable cotton deficit. (Full operating details on the pecan division are contained in Table 6-6 at the end of this chapter.)

The first five years of operation of the pecan division were gratifying to the management and board of directors. Moreover, growers were beginning to earn some profits from pecan operations. This more orderly approach to marketing was resulting in greater attention being paid to production methods and to producing for the market the varieties most desired.[1] Through CPA some continuing effort was being made to increase and expand the use of pecans through promotion. Of course, CPA recognized that it was in no position, at this stage of its involvement in pecan marketing, to exert much influence on the primary demand for pecans. However, after only five short years, growers were marketing through CPA almost 6 percent of the

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[1] J. G. Woodruff, "Some Problems Facing the Pecan Industry," *Dixie Co-Op News*, Vol. 2, No. 9 (April, 1952), p. 8.

total domestic production of pecans, and the association felt that it must begin demand stimulation efforts and increase them as much as it was possible to do so.[1]

Livestock Marketing[2]

For a period of several years, a number of members of CPA had felt that a livestock marketing program should be developed. A trend toward greater livestock production seemed to be developing, but improved management practices and suitable marketing facilities would be required if farmers were going to obtain a fair return from such activity. Farmers realized that such changes would have to be brought about by them and many of them saw the association as a means of accomplishing these changes.

After investigating several livestock marketing cooperatives and examining production and marketing conditions in its area of operations, the management of CPA decided to enter into a program of livestock marketing. In order to accomplish this, The Cotton Producers Association,

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[1] O. W. Thompson, "Pecan Marketing Division Processes 13 Million Pounds of Pecans in 1953-54," *Dixie Co-Op News*, Vol. 5, No. 1 (August, 1954), p. 8, and O. W. Thompson, "Gold Kist Pecan Growers," *Dixie Co-Op News*, Vol. 7, No. 4 (November, 1956), p. 8.

[2] This discussion is based largely on interviews with D. W. Brooks, C. W. Paris, W. A. Burns during December, 1968, and March, 1969, and from: D. W. Brooks, "Livestock Program," *Dixie Co-Op News*, Vol. 2, No. 4 (November, 1951), p. 2.

working with the Farmers' Mutual Warehouse, Hawkinsville, Georgia, purchased a livestock marketing barn. The official opening of the livestock auction barn at Hawkinsville was held in October, 1951.

The intent was to bring, with this operation and subsequently others in various locations, the livestock markets nearer the farmer so that he would not have to ship livestock long distances to the expensively operated markets in large cities. Moreover, it was hoped that standardization of the market grades of all species of livestock would occur so that quality and condition would be more uniform. This would permit centralized marketing, direct to slaughterers, of all livestock received at such markets.

The importance of sound management of such a venture was recognized. Therefore, an experienced livestock marketing manager, who had operated in that section of the state, was employed to manage the local operation. Unfortunately, serious illness of the manager in the critical first year of operations created personnel problems.

Operations of the livestock marketing program resulted in a loss in the first year for several reasons, including market conditions, personnel problems, and inexperience of management in this type of activity.

Management, however, had expected that some operating time would be required before the program would be on a profitable basis.[1]

In accordance with original plans, therefore, a second livestock marketing facility was put into operation at Statesboro, Georgia, during the fiscal year, 1952-1953. Yet, operations continued at a loss in that year, despite a sizeable increase in the number of head of livestock handled. Even though the market was depressed, it was becoming clearer to CPA management that a large volume of livestock must be processed in order to reduce the marketing costs down to an acceptable 1 percent. This, of course, meant handling livestock from a wider radius than had first been contemplated when the original barns were located.

Because the Statesboro operation had, from its inception, shown a greater growth rate and greater volume of livestock, it was decided in the fiscal year, 1953-1954, that the Hawkinsville operation would be discontinued and as much of its volume as possible handled through Statesboro. Moreover, a lack of sufficient trained personnel to operate both locations was a factor. This marked the first time in the history of the association that an operating unit

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[1]Report to the membership of The Cotton Producers Association by D. W. Brooks, contained in the *Dixie Co-Op News*, Vol. 3, No. 1 (August, 1952), pp. 1 and 5.

had been sold, yet the decision was based on sound reasoning and reflected the desire on the part of management to competently commit its resources.

Despite continued efforts to get this operation on a profitable basis, management was unable to do so and this program, while it would be continued through the fiscal year, 1959-1960, was never able to produce a net margin for the association. Dollar volume in the nine-year period ranged from $755,795 to $1,888,068 annually and losses ranged between $10,031 and $26,061.[1] At that time, it was decided to discontinue the program, but to continue research and investigation into the alternatives available for helping the membership to establish an efficient livestock program.

Poultry Marketing Division

It will be recalled that CPA entered the poultry industry in Georgia in the 1940's when it began supplying feed to growers. This subsequently led, at the end of that decade, to financing some growers of poultry and operation of a hatchery through the affiliated FMX at Gainesville, Georgia. These ventures provided a service to farmers and represented an opportunity to expand the market for feed,

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[1]Obtained from financial records of The Cotton Producers Association.

thereby enabling more efficient and lower cost operations in the feed department.

Expansion of the broiler industry in North Georgia and Alabama represented the beginning of a large-scale shift in the principal production areas to the Southeast from the Delaware, Maryland, Virginia area, or the Delmarva Peninsula, as it is known. The five top broiler producing states in 1965—Georgia, Arkansas, Alabama, North Carolina, and Mississippi—turned out 60 percent of the total in that year, up from 27 percent in 1950.[1] Broiler production represented an opportunity for farmers to supplement their decreasing incomes from their main cash crop, cotton, due to continually shrinking acreage allotments. Moreover, for Georgia and Alabama farmers who had sought employment to enable them to exist, contract broiler production represented a task that could be performed, at least in part, before and after working hours and by the housewife, if need be. The necessary capital to build the required housing facilities was generally available from contracting firms, feed manufacturers, local banks, Production Credit Associations, and others.[2]

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[1]U.S. Department of Agriculture, Economic Research Service, *Selected Statistical Series for Poultry and Eggs through 1965*, ERS-232 (Revised, May, 1966).

[2]National Commission on Food Marketing, *Food from Farmer to Consumer* (Washington, D.C.: Government Printing Office, June, 1966), p. 31.

Further Integration in Poultry

This interest on the part of farmers in the production of broilers, and the relatively easy financing available, caused a steady increase in the supply of broilers, (see Figure 6-1), which after a time resulted in a downward pressure on prices and, with a large supply available, an insistence on higher quality birds. The management of CPA saw a dangerous situation developing for its members. On the one hand, there was no guarantee that a processor could be found able to take the broilers when they were ready for market and this could rapidly erode any possible profits a grower might make. If a processor on the other hand needed chickens, there was a good possibility that the grower could not receive payment until after the birds had been processed and sold, since the majority of processing operations were small and undercapitalized and operated only on a part-time basis.[1] Therefore, in order to protect the poultry grower-members in particular, and all members in general, because of the

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[1]Processing plants had appeared in large numbers during the late 1940's. A survey conducted by the management of CPA had revealed that 80 percent of the existing processing plants would be forced to cease operations immediately if they were called on to pay cash for broilers as they were brought in by growers. This source of risk, in addition to an already high element of risk in production, was totally avoidable. Reported in: "CPA Expands Its Poultry Marketing Operation." *Dixie Co-Op News*, Vol. 2, No. 10 (May, 1952), p. 4.

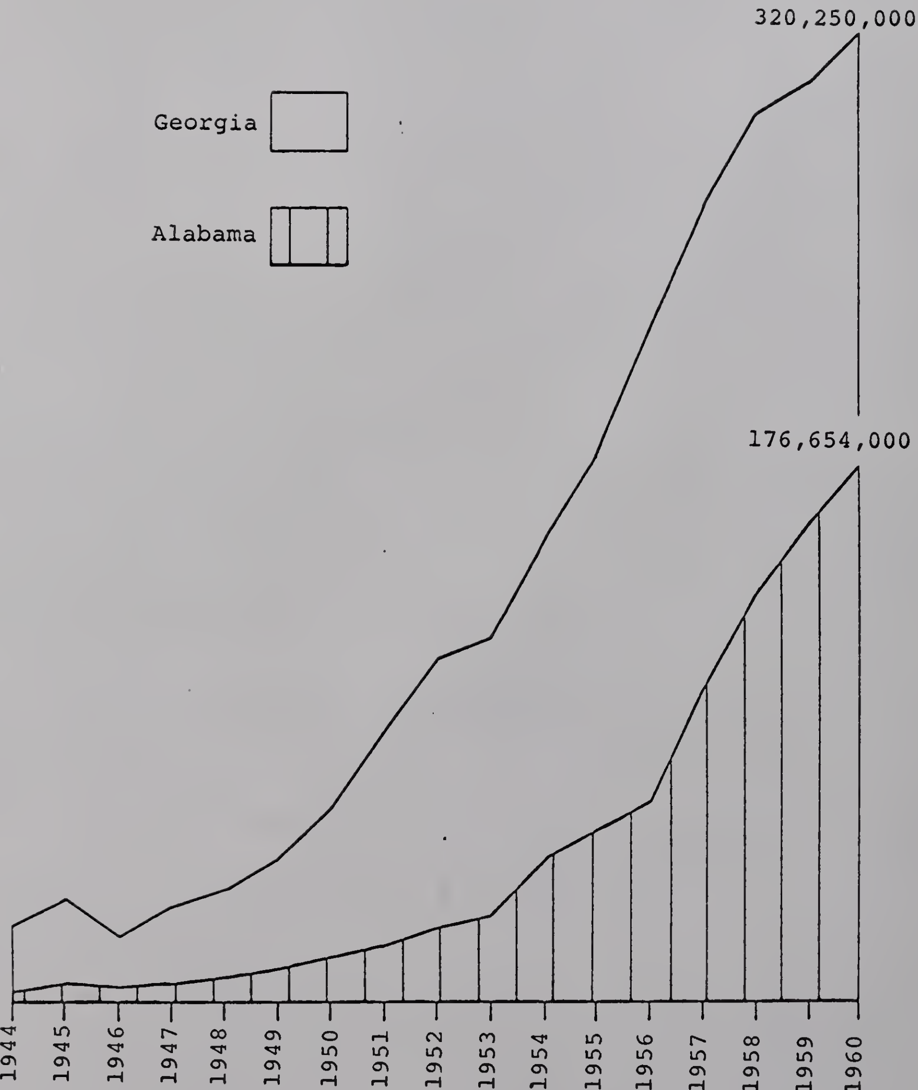

Figure 6-1. Commercial broiler production in the states of Georgia and Alabama for the years 1944-1960

Source: U. S. Department of Agriculture, *Agricultural Statistics, 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

positive contribution that the growth of the poultry industry had made to feed distribution, it was decided that CPA should further integrate its poultry operations.[1] This allowed them to do, for the first time, what Brooks had advocated to members early in the history of the association, control of the product from production to consumption.

The program was an ambitious one and would take several years to fully implement. Numerous changes in technology, some of which were originated by CPA, would be put into effect in the process.

Building on the broiler program which was already underway and utilizing the supply of the hatchery at Gainesville, the next step seemed to be the acquisition of a processing plant which would be open for members' poultry at all times and capable of paying them at the time birds were brought to the processing plant. On November 1, 1951, CPA acquired its first processing plant at Holly Springs, Georgia, in the heart of the North Georgia broiler production area. This plant was relatively small with a weekly capacity of about 60 thousand broilers and had no facilities for freezing of processed poultry. The former owner of this plant, Edgar J. Long, was retained

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[1]Interviews with William C. Pulliam, Manager, and Ralph D. Mobley, Assistant Manager, Gold Kist Poultry Division, December 19, 1968.

as manager and served as the first director of the poultry marketing operation.[1]

Recognizing that an effective and complete marketing job would require facilities for quick freezing of broilers, as well as facilities for cutting broilers into pieces, attention was turned to meeting this problem. Investigation and analysis disclosed the availability of a plant in nearby Canton, Georgia. Negotiations were completed for the purchase of this plant on March 10, 1952, thereby increasing processing capability to about 315 thousand birds per week. This plant and the original one were purchased under very favorable terms at a cost about one-half of what would have been required to duplicate the facilities in 1952. This second location had adequate freezers, recently remodeled, and space for cut-up operations. A by-products plant enabled the processing and sale of all waste to fertilizer and feed manufacturers.[2]

It was decided that the Gold Kist brand name, already established and widely known from the pecan marketing operations, would be the name under which the new poultry division would operate and under which a portion

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[1]E. J. Long, "Gold Kist Poultry Growers, CPA's Youngest Division," *Dixie Co-Op News*, Vol. 3, No. 1 (August, 1952), p. 1.

[2]Interview with R. L. Hadden, Sales Manager, Gold Kist Poultry Division, March 26, 1969.

of the poultry would be sold. In the Canton acquisition, the name, Canton's Choice, was obtained and was continued in use for a time. These two branded products, fresh and frozen, whole and cut-up birds were at June 30, 1952, being sold in more than twenty-six states and Puerto Rico by a poultry sales staff and through food brokers.

The Holly Springs plant was placed under continuous U. S. Government inspection in 1952, so that customers or markets requiring government-inspected poultry might be served.[1] Prior to the Poultry Products Inspection Act of 1957, only a relatively small proportion of poultry was slaughtered under Federal inspection. By 1959, approximately three-fourths of chicken slaughtered were federally inspected.[2]

A hatchery was built at Calhoun, Georgia, in January, 1952, in order to give the poultry operation a larger supply of chicks for placement with growers. Attention was turned to the development of breeder flocks since the hatching egg supply flock is extremely important to the success of the hatchery.[3] Contracts were made with farmers for

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[1]E. J. Long, "Gold Kist Poultry Growers, CPA's Youngest Division," p. 1.

[2]National Commission on Food Marketing, *Organization and Competition in the Poultry and Egg Industries*, Technical Study No. 2 (Washington, D. C.: Government Printing Office, June, 1966), p. 14.

[3]T. Leighton Waterhouse, "The Hatching Egg Supply Flock," *Dixie Co-Op News*, Vol. 2, No. 10 (May, 1952), pp. 5-6.

supplying the hatching egg requirements. This allowed CPA to more closely control the conditions and methods utilized in the production of hatching eggs.[1]

By June 30, 1952, CPA had, except for ultimate distribution to consumers, developed a fully integrated poultry operation which could now be expanded and improved. This process of vertical integration which was becoming quite common in the poultry industry did not ordinarily include two stages: (1) development of basic breeding stock, and (2) distribution to consumer. As to why the system of coordination that developed was not ownership integration at all stages, including growing the broilers, the answer is found in the prevailing conditions in agriculture. Coordination by contract in the growing stage resulted because there were many farmers with facilities available and willing to sell their services at low rates because alternatives were few or nonexistent. Moreover, this contract arrangement was attractive because it

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[1]It should be mentioned that broiler production supervision and responsibility, as well as hatchery operations, were kept under the Purchasing Division where they had begun until 1966, at which time all broiler production, processing, and marketing were combined under the Gold Kist poultry division. At that time, the processing and marketing operations always headquartered at Canton, Georgia, were moved to Atlanta. This consolidation of the entire poultry operation resulted in greater coordination and improved relationships between those involved in processing and marketing.

avoided the problems of social security, workmen's compensation and other similar employee costs, thus reducing total capital requirements.[1]

Problems Encountered

The problems of getting the poultry processing plants on a profitable basis proved to be difficult. Because of an insufficient volume of birds, neither plant operated at, or near, capacity during the fiscal year 1952-1953. That, coupled with some personnel problems, resulted in a sizeable net loss from poultry operations in that year. It was decided by management to operate only the Canton plant which, based on the volume of birds being received from growers, could be operated near capacity. The Holly Springs plant was leased to others at the beginning of the 1953-1954 fiscal year. In connection with these changes, William C. Pulliam was appointed manager of the Gold Kist poultry marketing division.

Total annual sales volume of the poultry division in the 1954, 1955, and 1956 fiscal years ranged between $7 and $8 million and after break-even operations for 1954, net margins were reported. (Detailed volume and net margin

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[1]National Commission on Food Marketing, *Organization and Competition in the Poultry and Egg Industries*, pp. 5-6.

figures appear in Table 6-6 at the conclusion of this chapter.) By June 30, 1956, having operated not quite five years, the poultry marketing division had earned a total of $219,998 in net margins in that period. This record for a new division, particularly under depressed market conditions for a portion of this period, seemed to indicate that poultry marketing should become a valuable additional area of operations for CPA members. Because of the interest of members in the North Alabama area in poultry operations, and because CPA believed they could provide services at savings to growers, plans were formulated for the construction of a poultry processing plant in that area.[1]

Research Orientation

From the outset of the poultry operation, a research orientation pervaded the entire activity from breeder flock to processed bird. Much improvement in broiler production resulted from the sponsorship, along with five other regional farmer cooperatives, of a broiler research and evaluation farm in Greenwood, Delaware. Research in grower management techniques, as well as continual efforts to improve upon the processing activity affecting all

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[1]"Co-Op Owned Research Farm Assures Top Broiler Feeds," *Dixie Co-Op News*, Vol. 6, No. 4 (November, 1955), p. 5.

stages of the integrated poultry operation, enabled CPA to steadily improve the quality of the product while, at the same time, reducing costs.

Because of integration, the poultry industry was becoming more concentrated and the trend would continue into the next decade. Ninety percent of the nation's total poultry meat in 1965 would be produced by highly integrated operations provided by an infinite variety of relationships among farmers, feed companies, processors and distributors.[1] That CPA was to become, and remain, one of the major broiler producers and processors is indicative of the aggressive planning and execution by management and of the building of a sound and thorough continuing research function.

Purchasing Division

The purchasing division continued its growth during this period and its services as the major contributor to net margins of the association. Every attempt was made by the purchasing division to sell the production supplies to its members at competitive prices, quality considered. The net margins which have been created

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[1]Arthur F. Marquette, *Brand, Trademarks, and Goodwill* (New York: McGraw-Hill Company, 1967), p. 211.

therefore represent actual profits to members.[1] Yet, because only quality products and supplies were maintained in inventory, since this was felt to be necessary to improved farmer performance, members at times would feel that some of the production supplies were overpriced.

Departmental Contributions[2]

Table 6-5 shows the volume of activity of the principal departments within the purchasing division. The feed department under the management of J. Julian Baker continued to be the largest single volume contributor. The interruption in growth in tonnage for 1955-1956 was largely attributable to a conscious reduction in the contract broiler production program of CPA.

The fertilizer department, managed by J. Elam Nunnally, continued to be second in volume within the purchasing division, with steady increases in total tonnage. Fertilizer production of 86,368 tons in the fiscal year 1955-1956 represented a little over 13 percent of all fertilizer manufactured in the seven-state area of Maryland, Virginia,

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[1]Interviews with C. W. Paris, February 14, 1969, and D. W. Brooks, March 24, 1969.

[2]Material for this section taken from annual reports made by the various department heads to management and to the membership.

Table 6-5

Purchasing Division Volume by Major Departments for
Fiscal Years 1950-1951 through 1955-1956

	1950-1951	*1951-1952*	*1952-1953*	*1953-1954*	*1954-1955*	*1955-1956*
Total Division Volume	$8,474,937	$10,618,990	$10,664,316	$12,078,569	$12,656,742	$11,769,840
Feed (tons)	38,466	57,943	60,329	70,138	76,688	56,368
Fertilizer (tons)	70,791	71,314	74,811	77,511	76,787	86,368
Seed	$1,228,533	$ 1,114,283	$ 856,572	$ 836,225	$ 939,973	$ 975,087
Farm Supplies	601,487	527,089	519,935	656,740	706,527	1,074,660
Insecticides	552,514	339,531	308,029	486,368	340,160	519,599
Baby Chicks	. . .	60,174	248,556	375,562	523,309	706,409

Source: Taken from financial records of the association and from annual reports of operations of the departments to management and membership.

Kentucky, Tennessee, North Carolina, Alabama, and Georgia.[1] The Carrollton plant which had been rebuilt during this period, due to the destruction by fire of the original one, had a larger capacity and was a more efficient plant. An additional fertilizer plant was leased at Athens, Georgia, during this period bringing the total of plants to five.[2] A plant leased at Headland, Alabama, was operated only a short time.

The seed department, under the management of William R. O'Dell since its inception, experienced some decline in total volume and net margin during this five-year period represented in part by a decline in cotton seed, and in part by economic conditions in agriculture which caused wide fluctuations in seed prices.

The insecticide department in completing its eighth year under the management of H. D. Purswell experienced fluctuations in volume and net margins. Factors causing this were a generally decreasing price level for insecticides and a relatively light infestation, particularly by the boll weevil in 1951 and 1952.

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[1]Warren K. Trotter, *Manufacture of Fertilizer By Cooperatives in the South*, U. S. Department of Agriculture, FCS Bulletin 13 (July, 1959), p. 12.

[2]"CPA Leases Fertilizer Plant at Athens," *Dixie Co-Op News*, Vol. 4, No. 7 (February, 1954), p. 1.

Miscellaneous farm supplies continued to contribute more to volume and net margin as farmers became more familiar with the Unico line and as it became more widely distributed through additional farm supply stores.

The initially rather limited volume obtained from chicks placed in the broiler production program was substantially increased as the entire poultry operation was expanded during the period under review.

Distribution of Farm Supplies

By June 30, 1956, the total number of FMX stores, some of which were direct agencies, was thirty, located in the states of Georgia, Florida, Alabama, and Tennessee and eight cotton warehouses, most of which distributed a relatively full line of farm supplies. Supplies were also distributed by private dealer agents where CPA had no other representation. A wholesale warehouse at Dublin, Georgia, had done much to relieve inventory requirements and out-of-stock conditions of the farm supply stores. Initial plans were being formulated for the opening of a similar warehousing operation north of Atlanta to serve stores in that area.[1]

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[1]Interviews with C. W. Paris, December 20, 1968 and March 24, 1969.

Financial Condition

Great expansion and diversification took place in the six year period ending June 30, 1956. Annual volume advanced from $42,480,468 to $71,421,311. Net worth, although not keeping a proportional pace to volume, expanded from $4,710,877 at June 30, 1951, to $7,986,062 at June 30, 1956. (See Tables 6-6 and 6-7 for summary financial data.) This latter figure included the proceeds from the sale of $919,600 in certificates to members. These certificates which paid a 5 percent cumulative rate of interest and known as Preferred Capital Certificates were offered in a one million dollar issue in the Spring of 1953.[1] This represented the first opportunity for members to invest directly in the association. The issue was subscribed with little difficulty because a number of members had been requesting the opportunity to buy some form of security for several years. CPA management had refused to consider this method of financing until they were relatively assured that risk to farmer members had been minimized. Then too, the rapid rate of expansion and diversification during this period had placed a strain on working capital, particularly in view of the fact that

[1] "CPA Launches Investment Program," *Dixie Co-Op News*, Vol. 3, No. 7 (February, 1953), p. 1.

Table 6-6

Volume of Business and Net Margin[a] by Divisions of The Cotton Producers Association, 1950-1951 through 1955-1956

(cents omitted)

Year	*Cotton Division*		*Purchasing Division*		*Grain Division*		*Pecan Division*		*Livestock Division*		*Poultry Division*	
	Sales Volume	*Net Margin*	*Patrons' Purchases*	*Net Margin*	*Sales Volume*	*Net Margin*	*Sales Volume*	*Net Margin*	*Sales Volume*	*Net Margin*	*Sales Volume*	*Net Margin*
1950-1951	$30,990,269	$ 480,715	$ 8,474,937	$777,668	$ 930,650	($20,895)	$2,084,612	$ 86,039	$ . . .	. . .	$ . . .	. . .
1951-1952	37,037,333	(110,081)	10,618,990	806,500	1,048,691	91,991	2,112,071	149,281	818,473	($11,235)	1,918,683	$ 43,013
1952-1953	27,171,394	(342,577)	10,664,316	614,535	1,156,066	37,793	2,614,865	199,027	1,830,025	(25,079)	7,737,512	(88,817)
1953-1954	62,489,812	171,662	12,078,569	595,654	1,531,116	20,126	3,109,858	172,591	1,888,068	(26,061)	7,603,169	349
1954-1955	32,734,939	(1,026,080)	12,656,792	877,091	1,844,183	9,215	2,429,128	198,777	1,096,168	(13,923)	7,987,435	50,251
1955-1956	44,766,492	238,524	11,769,840	845,048	2,457,054	13,438	4,821,736	123,885	755,795	(21,477)	6,850,393	123,594

Source: Data for this table were obtained from annual audits of the association prepared by professional auditing firms.

[a]Figures in parentheses indicate a net operating loss.

Table 6-7

Total Assets and Facility Investment[a] by Divisions of The Cotton Producers Association, 1950-1951 through 1955-1956

(cents omitted)

	Cotton Division		*Purchasing Division*		*Grain Division*		*Pecan Division*		*Livestock Division*		*Poultry Division*	
Year	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*
1950-1951	$4,119,422	$ 935,358	$ 3,725,918	$ 732,801	$1,170,525	$ 607,354	$1,024,167	$271,433	$ . . .	$ . . .	. . .	
1951-1952	5,040,700	891,947	4,539,723	884,277	1,598,073	1,001,467	1,076,467	292,136	94,594	72,920	$1,165,293	$ 884,277
1952-1953	4,083,147	761,983	5,124,383	1,212,224	1,728,602	1,003,869	1,244,817	387,110	133,767	113,133	1,291,354	1,212,224
1953-1954	3,790,466	991,564	6,329,593	1,285,276	1,468,966	1,040,623	1,661,773	439,170	120,221	81,390	958,407	1,285,276
1954-1955	6,528,984	1,150,266	68,287,764	1,314,230	1,598,999	1,117,291	1,320,944	499,731	121,497	86,061	928,567	1,314,230
1955-1956	2,544,626	1,185,955	6,713,799	1,500,313	1,760,051	1,270,216	2,690,776	538,971	100,385	86,495	964,840	1,500,323

Source: Data for this table were obtained from annual audits of the association prepared by professional auditing firms.

[a]Shown after Reserve for Depreciation.

a feed mill would have to be constructed in the near future because continued expansion of feed volume from the Co-Op Mills was not possible, since CPA was already drawing as much, if not more, feed from that source than any of its partners.[1]

The Cotton Producers Association had truly become a complex, integrated multi-divisional cooperative by 1956. In so doing, it was serving, on a much broader scale, the needs of farmer members, in particular, and agriculture in the Southeast, in general, because it had now attained the size and reputation sufficient to render its policy decisions meaningful in many areas. Figure 6-2 depicts the organizational structure as it existed in June, 1956.[2]

The Future

Many changes were to come in the financial structure due to the greatest facility expansion in the history of CPA which would take place over the next six years. With it would come even broader services to farmer members and

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[1]Interview with J. Julian Baker, Retired Director of Feed Distribution, December 23, 1968.

[2]No formal organizational chart existed for this period of time, therefore, this representation is constructed based on data obtained in interviews with the upper-level management familiar with the organization, during this time.

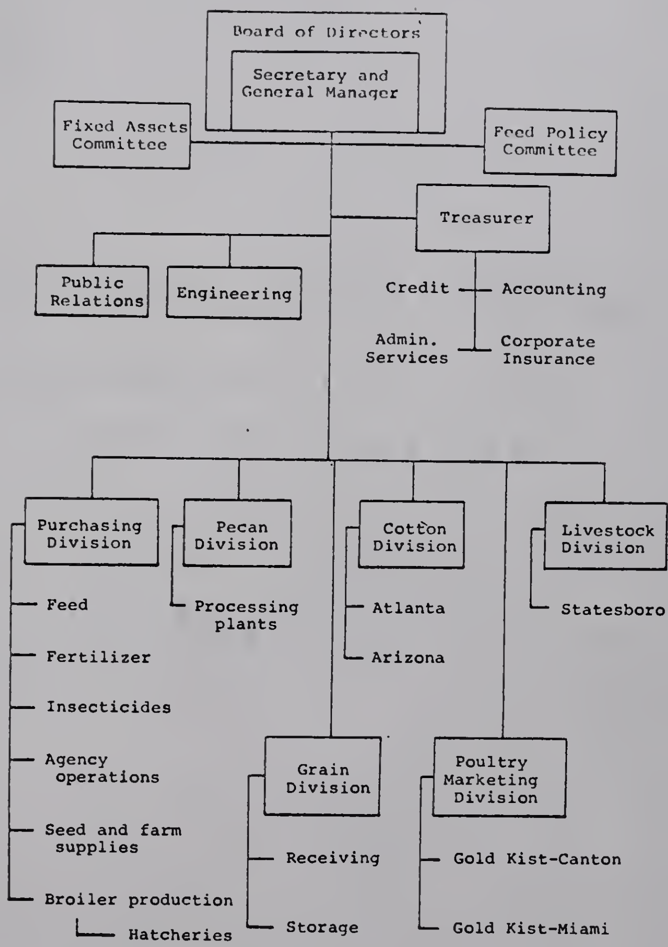

Figure 6-2. Organization structure of The Cotton Producers Association on June 30, 1956

more difficult problems in which the abilities of management and the soundness of policies and organizational structure would be tested. Yet, the comments made by Brooks, in organizing the association in 1933, as to the extent that CPA should involve itself in agribusiness, no longer seemed so ridiculous and would seem even less so as the decade of the 1960's was reached.

CHAPTER VII

EXPANSION AND GROWTH BY MERGER: 1956-1957 THROUGH 1960-1961

Greater Service to Farmers

This period, June 30, 1956, through June 30, 1961, marked the greatest facility expansion in the history of The Cotton Producers Association. This expansion took place in practically every operating division and was accomplished by almost every means by which a business enterprise implements a program of growth. Facilities were added either by acquisition, new construction, or leasing in the fertilizer department, feed department, agency (FMX) operations and warehousing, and in the poultry division. Due to two mergers during this time, further expansion of the poultry marketing division occurred (1959) and a new marketing activity, the peanut division was established (1957).

Many problems were experienced in integrating these expansion projects into the existing organization. Indeed, some criticism of such an ambitious program, as was undertaken here, was heard from members and employees alike.[1]

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[1]Interview with C. W. Paris and others in management during the period, December 18-24, 1968.

Yet, annual volume increased by almost $50 million during this period while net margin increased $1.5 million to $3.5 million.[1] Moreover, due to the volatile nature of agricultural commodity operations, the continued expansion and diversification, into more commodities, enabled the association to spread the risks associated with marketing activities over this much broader base of operations. Therefore, in the process of providing expanded services to farmers in the Southeast, CPA was also able to provide better services to its existing membership.

One of the major problems continually faced by the farmer has been an inability to bargain from a position of strength.[2] Mergers and expansion of cooperatives into wider spheres of activity result in increased bargaining strength through the economies and efficiencies which result from combined management of consolidated operations.[3] CPA, recognizing the need for increased marketing power, saw very early the potential of the merger as a means of attaining this goal.

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[1]Taken from financial records of The Cotton Producers Association.

[2]Speech given by Stanley F. Krause, Assistant to the Director of the Farmer Cooperative Service to the Aroostook Federation of Farmers at Caribou, Maine, February, 1965.

[3]*Ibid.*

Peanut Division[1]

Gold Kist Peanut Division Formed through Merger

There can be little doubt that the most significant occurrence of this period, 1956-1957 through 1960-1961, was the merger of the Georgia Peanut Company and its affiliated companies into The Cotton Producers Association. The companies involved in the merger, completed in December, 1956, and their locations are listed in Table 7-1. The Georgia Peanut Company group had been started in 1923, by Homer G. Ray, Sr., and had grown into one of the world's largest peanut processing and marketing organizations.[2] Facilities for storage and marketing of peanuts were located in Georgia, Florida, Alabama, Oklahoma, and Texas. The facilities received in this merger included eleven peanut shelling plants, two peanut oil mills, one oil refinery, and numerous receiving warehouses. The value of these facilities was placed on the books of the association at over $5 million.

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[1]Principal sources for this section were interviews conducted during December 18-24, 1968, with: C. W. Paris; William W. Gaston, Vice President, Marketing Division; and Donald W. Sands, Assistant Vice President, Marketing Division.

[2]"Georgia Peanut Company Merges with The Cotton Producers Association," *Dixie Co-Op News*, Vol. 7, No. 6 (January, 1957), p. 1.

Table 7-1

Companies Included in the Georgia Peanut Company Ownership Group at the Time of Merger with CPA, 1956

Name	*Location*
Georgia Peanut Company Shelling Plant	Moultrie, Georgia
Taylor Oil and Peanut Mill	Moultrie, Georgia
Ray Vegetable Oil Company	Moultrie, Georgia
Donalsonville Grain and Elevator Company	Donalsonville, Georgia
Hawkinsville Gin and Peanut Company	Hawkinsville, Georgia
Red Diamond Mills, Inc.	Cordele, Georgia
Ashburn Peanut Company	Ashburn, Georgia
East Georgia Peanut Company	Statesboro, Georgia
Greenwood Products Company	Graceville, Florida
High Springs Peanut and Shelling Company	High Springs, Florida
Marianna Peanut Company	Marianna, Florida
Malone Peanut Company	Malone, Florida
Headland Peanut Company	Headland, Florida
Dothan Milling Company	Dothan, Alabama
Lone Star Peanut Company	Dallas, Texas
Lone Star Peanut Company	Okmulgee, Oklahoma

Source: Records of the Peanut Division of The Cotton Producers Association.

Management of The Peanut Division

To provide for the administration and operation of this new division, C. B. FunderBurk, Treasurer of CPA, was appointed to also serve as director of the division. H. E. Anderson, formerly Director, Seed and Farm Supply Department, CPA, was appointed as the Assistant Director of Operations and Sales Supervisor, manufactured peanut products. B. Craig Ray, formerly First Vice President, and Roy E. Parrish, a former Vice President of the Georgia Peanut Company, were appointed as Sales Manager and Director of Operations respectively. A policy operating committee was organized consisting of three former officers in the Georgia Peanut Company and Brooks, FunderBurk, and Anderson from CPA.[1]

Headquarters of the merged division, known as the Gold Kist Peanut Growers, were continued at Moultrie, Georgia, until February, 1959, at which time they were moved to Atlanta. At that time H. E. Anderson was promoted to General Sales Manager with FunderBurk continuing as director.[2]

Initial Operating Changes

Shortly after the merger, efforts were begun to streamline and modernize the acquired peanut facilities.

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[1]"Organizational Setup for Peanut Division Announced by Brooks," *Dixie Co-Op News*, Vol. 7, No. 7 (February, 1957), pp. 1 and 4.

[2]"Gold Kist Peanut Growers Moves Offices to Atlanta," *Dixie Co-Op News*, Vol. 9, No. 7 (February, 1959), p. 5.

The more antiquated facilities, Malone and Marianna, Florida, Headland, Alabama, and Donalsonville, Georgia, were closed, with the tonnage formerly handled at those points taken over by the Graceville, Florida, facility. Also as a part of the improvement program the Hawkinsville, Georgia, plant was sold during the 1957-1958 fiscal year.[1]

The Dallas, Texas, plant was very poorly located and a decision was made to relocate it nearer the principal growing areas. Consequently, as soon as a plant could be constructed at Anadarko, Oklahoma, the center of peanut production in that state, the Dallas operation was moved (1958).[2]

Attempts to gain optimum location of peanut shelling plants resulted in the leasing of a shelling plant at Oglethorpe, Georgia, in the 1958-1959 fiscal year and its operation until 1962, when it would be discontinued. Also in the 1960-1961 season, the Farmers Gin and Peanut Company, at Tifton, Georgia, was acquired.

All of these adjustments were the result of efforts to serve the peanut farmers with adequate facilities and, at the same time, to reduce operating and processing costs

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[1] Interview with Donald W. Sands, Assistant Vice President, Marketing Division, December 17, 1968.

[2] *Ibid.*

of the peanut division. The association had recognized that considerable readjustment would be required in the facilities obtained in the merger, but felt that an existing peanut operation with established markets would be the more efficient way of becoming operational in peanut marketing. Georgia Peanut Company, on the other hand, recognized that technological changes and shifts in major peanut areas necessitated adjustments, but faced problems in financing such changes. The merger, then, represented satisfactory solutions to both parties to the merger.

Market for Peanuts

The market for peanuts is largely from food processors and candy manufacturers and the demand is for a high-quality nut, therefore, CPA immediately began improving the quality of seed peanuts. Over the years their efforts, as will be later seen, have given them an excellent product reputation. In addition to the edible market, there is a market, although smaller, for peanut oil at both the industrial and consumer products level. In the merger, the brand name of Ravo was retained for the oil products sold in the consumer products market. In August, 1960, the brand name was changed to Gold Kist in order to capitalize on the more widely known name.[1]

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[1] "Ravo Label Changes to GOLD KIST: Housewives Urged to Try Peanut Oil," *Dixie Co-Op News*, Vol. 11, No. 1 (August, 1960), p. 1.

This is the only further processing of peanuts ever attempted by CPA for the consumer products market. The reason for this has been the effect that such activity would have on the sales in the ingredient market.[1] Peanut sales have been handled largely through brokers with the small efficient sales force of the peanut division used to establish new accounts and maintain relationships with existing accounts.

Services to farmers were greatly improved by instituting a new peanut marketing program. Under previous programs, the farmer sold his peanuts at the established support price. Under the Gold Kist program, the members shared in any earnings from processing activities as well as from advances in the market price which occurred up to the time of final sale to buyers. This meant that the peanut grower could maintain an interest in the product much longer and thereby increase his possibilities of greater earnings.[2]

Effect of New Division on CPA

The addition of this sizeable division to CPA naturally resulted in a greatly increased total sales volume. Even though operating only seven months in the

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[1] Interview with W. W. Gaston, December 17, 1968.

[2] "Peanut Division Added to CPA Family During 1956-57," *Dixie Co-Op News*, Vol. 8, No. 4 (November, 1957), p. 5.

fiscal year 1956-1957, volume was almost $22 million and net margin from peanut operations was nearly $300 thousand. (Detailed operating information on the peanut division is contained in Table 7-4 at the end of the present chapter.) Despite extremely adverse conditions in the 1957-1958 year, which produced the worst quality crop in the history of the peanut industry, CPA was able to bring the quality up sufficiently to earn for members a net margin of almost $400 thousand on a volume of $29 million.[1]

This favorable showing in the new venture was relatively short-lived. Due to a continuing low quality of product being produced, heavy domestic production, and increasing foreign competition, in the fiscal year ended June 30, 1959, peanut operations reported a net loss of $2 million. Despite this sizeable loss, which could have caused the association to get out of peanut marketing had it not been for the determination of Brooks to see it through, operations for the year resulted in a net margin of $1.5 million.

In each of the remaining years of this period, operations in the peanut division contributed to net margin. Factors accounting for this reversal include an increased support price, but mainly responsible were improvements

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[1]H. E. Anderson, "Gold Kist Growers Annual Report for 1957-58," *Dixie Co-Op News*, Vol 9, No. 4 (November, 1958), p. 4.

in facilities and product, and an aggressive selling effort.[1] Even with profitable operations in the subsequent two years up to the end of the 1960-1961 year, the peanut division still showed a total operating deficit of over $1 million at the end of this period. The movement into peanut marketing operations represented, as Brooks put it: "the first time we had jumped into the middle of something. In the past in each new venture, we had grown into it."[2] This being true, made the attempt at getting the peanut division on a contributing basis a more difficult and costly endeavor. By the end of the period, however, the CPA personnel had become experienced in the marketing of peanuts and this better management was, in part, responsible for getting the operation back on a profitable basis. The completion of the majority of adjustments in terms of disposing of uneconomic facilities and modernizing of others was equally important. These changes had made it possible to move larger volumes of peanuts through the remaining plants, thereby reducing the cost of operations to profitable levels. In each of the years, 1959-1960, and 1960-1961, over 100 thousand tons of farm stock peanuts were processed.[3]

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[1] Interview with D. W. Brooks, March 24, 1969.

[2] *Ibid.*

[3] Interview with William W. Gaston, December 17, 1968.

Poultry Marketing

Continued Expansion

Poultry marketing continued to expand volume at a rapid pace during this period. Volume for the fiscal year, 1956-1957, of $8.5 million seemed small indeed when compared with $35.3 million in volume of the poultry division for the fiscal year ending June 30, 1961. Net margins, however, did not advance in proportion to volume increases, yet operations in each of the years in this period were profitable.

Considerable facility expansion was necessary for these advances to occur and it began with a remodeling and renovating of the Canton, Georgia, processing plant. These changes, completed in July, 1956, increased the processing capacity by 15 percent or up to almost 5 thousand birds per hour.[1]

In the Fall of 1956, construction was begun on a poultry processing plant at Boaz, Alabama, to more adequately serve poultry growers in the North Alabama area.[2] One-shift processing capacity of the new plant was 200,000 broilers per week when it opened on October 15, 1957. The very newest and most technologically advanced

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[1]"Gold Kist Poultry Processing Up To Eighty Birds A Minute," *Dixie Co-Op News*, Vol. 6, No. 12 (July, 1956), p. 1.

[2]"New Poultry Dressing Plant Under Construction at Boaz," *Dixie Co-Op News*, Vol. 7, No. 4 (November, 1956), p. 1.

processing equipment in the industry made this one of the most efficient plants in operation in the poultry industry.[1]

A merger was effected with Colonial Poultry Company at Athens, Georgia in late 1959.[2] The processing plant which was acquired was, after alterations and modernization, brought up to a processing capacity of over 100 thousand broilers per shift.[3] This merger brought total capacity of the three processing plants to over one million birds per week.[4]

A hatchery located at Winder, Georgia, was also acquired in this merger. It was operated throughout this period, but would be discontinued in 1964, as other more modern and efficient hatcheries were built.[5] Two other hatcheries were begun during this period, one at Cullman, Alabama, in November, 1957, and another at Canton, Georgia, in August, 1959. This brought the total number of hatcheries

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[1] "CPA Opens New, Modern Poultry Plant in Boaz, Alabama," *Dixie Co-Op News*, Vol. 8, No. 3 (October, 1957), p. 1.

[2] Interviews with W. C. Pulliam, Jr., Manager, and Ralph D. Mobley, Assistant Manager, Gold Kist Poultry Division, December 19, 1968.

[3] Interview with James Hale, Manager, Gold Kist Processing Plant, Athens, Georgia, February 14, 1969.

[4] Speech given by Ralph D. Mobley to the annual meeting of the Farmers Mutual Exchange, Eatonton, Georgia, August 31, 1960.

[5] Interview with Ralph D. Mobley, December 19, 1968.

operating during this period to five and weekly chick capacity to over 600,000.[1] All output of the hatcheries is used in the CPA broiler production program.

Gold Kist Poultry Exported

The first export shipment of broilers was made during the Fall, 1957, to the Federation of Grocery Cooperatives, Zurich, Switzerland.[2] The sale, made through a New York brokerage firm, was for 66 thousand pounds of grilling broilers which were shipped from the Boaz, Alabama, plant. This initial transaction would lead to the development of a sizeable export business in poultry in the coming years. Efforts to locate additional markets were intensified as a result of this first export activity and sales were gradually expanded throughout this period. D. W. Brooks had established in the 1950's the practice of making periodic selling trips to foreign markets. Originally his primary interest was in building relationships for the marketing of cotton, but as the operations of CPA became broader in scope, he naturally sought markets for all products marketed by the association. His trips and the connections established over the years proved invaluable in developing

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[1]Letter dated April 18, 1969, received from Ralph D. Mobley.

[2]"Gold Kist Makes First Export Shipment of Broilers," *Dixie Co-Op News*, Vol. 8, No. 5 (December, 1957), p. 1.

overseas markets for broilers as well as for other commodities. Outlets for poultry were found in the Caribbean, Europe, and the Far East. More will be said about poultry exports in Chapter VIII.

Grower Contracts

In an effort to improve the performance of poultry growers and consequently the quality of their output, CPA continued, during this period, to evaluate and improve its contractual relationship with growers. A weight-feed conversion contract, paying a grower according to his efficiency in growing out broilers, was found to be the optimal approach to a satisfactory relationship.[1] A grower obtaining above average performance receives considerably more return for his effort than he would with only average performance. This type of incentive program ties in very closely to the cost of production. These incentive payments are built on a base guarantee payment. These contracts are for one flock at a time, but CPA continues the relationships with growers so long as operations are satisfactory to both. This type of arrangement is fairly standard throughout the industry now, yet CPA was one of the innovators.[2]

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[1]Interview with Terry Linton, Manager, Live Oak Complex, Gold Kist Poultry Division, Live Oak, Florida, March 17, 1969.

[2]National Commission on Food Marketing, *Organization and Competition in the Poultry and Egg Industries*, p. 6.

In order to provide capable and efficient management on a local level, one or more broiler supervisors work very closely with local broiler grower-members. Where there are Farmers' Mutual Exchanges these supervisors work out from there. In those areas of North Georgia and North Alabama, where there is no FMX, direct broiler agencies have been established. As was discussed in Chapter VI, the growing phase is the only part of the poultry operation not under ownership integration. Therefore, the contract and planned efforts to achieve coordination and control are extremely important to the success of an integrated poultry operation.

Progress Made Under Adverse Circumstances

Commenting on the condition of the poultry industry during 1959-1962, C. W. Paris said in June, 1962, that:

> . . . there was every reason for classifying the broiler industry as 'sick'. In my opinion, recent low broiler prices can be attributed almost entirely to over-production. We have simply produced more broilers than consumers have been willing to buy at fair prices. The over-production has been disposed of, but it took below cost-of-production prices to do it.[1]

Brooks also addressed himself to problems in broiler production when he illustrated the problem by saying:

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[1]"Broiler Advisory Member Discusses Poultry Situation," *Dixie Co-Op News*, Vol. 12, No. 11 (June, 1962), p. 5. It should also be pointed out that here Paris was speaking as an appointed member of the National Broiler Advisory Committee formed by Orville Freeman, then Secretary of Agriculture.

> Apparently we have reached a new era in broiler production. For a period of many years broiler production increased 5 to 10 percent from year to year, with the consuming public apparently willing to increase their consumption by this amount. This has made it possible for broiler production to expand from a very small industry to one of the largest industries in this country today.
>
> Beginning some eighteen months ago, something new began to happen. Broiler production was expanded some faster than usual, and the market did not absorb this new production at profitable prices. Consequently, . . . there has been a gradual reduction in the production of broilers. During all the years of the development of the broiler industry, every time this happened in the past, consumption increased, prices improved, and the broiler industry went . . . on with its expansion programs. . . . This time when the reduction in production came about, for some reason, the consumption did not increase and the prices did not rebound.[1]

This failure of consumption to gradually absorb excess production as it had in the past, caused a "shake-out" in the industry. Brooks feels that CPA was able to weather this storm because:

> Fortunately for members of [The] Cotton Producers Association, they have been better than average producers. We have tried to develop . . . the kind of help and supervision in broiler production that has made it possible for our members to produce broilers much cheaper than the average farm. In addition . . . we have been able to furnish superior chicks, the finest quality feed at the lowest possible prices, and then . . . market the broilers successfully through our own . . . plants. Consequently, . . . the members have been able to maintain a reasonable income from broiler production in a period when conditions were the most trying the industry has ever experienced.[2]

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[1]D. W. Brooks, "Broilers," *Dixie Co-Op News*, Vol. 10, No. 3 (October, 1959), p. 3.

[2]*Ibid.*, p. 3.

Paris indicated how such conditions prevailing in the industry would affect CPA by disclosing its members involvement in the poultry industry: "CPA's members account for about 10 percent of all Alabama and Georgia production (in 1961, this broiler production was 198,036,000 and 348,200,000 birds respectively)."[1] Moreover, with Georgia as the leader in broiler production, it would appear that unfavorable conditions in the broiler industry would be magnified in that state. Therefore, the operations of the poultry marketing division, in advancing the sale of broilers from about 32 million pounds (live weight) in 1957 to 171 million pounds (live weight) in 1961, would have to be termed successful, particularly in view of the fact that this sizeable increase was handled on a profitable basis.[2] Expansion of sales to over thirty-five states as well as into foreign markets enabled this greatly expanded volume to be profitably marketed by an aggressive sales force.

Intra-Industry Activities

During this period and continuing beyond, the management of The Cotton Producers Association was much involved in the activities and administration of poultry

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[1] "Broiler Advisory Member Discusses Poultry Situation," *Dixie Co-Op News*, p. 5.

[2] Taken from financial records of The Cotton Producers Association.

industry trade associations and organizations. As Director of the Purchasing and Poultry Divisions, C. W. Paris was a member or director in a number of organizations including the National Broiler Council, Georgia Poultry Federation, and as mentioned, a member of the U.S. Department of Agriculture Broiler Advisory Committee. He was a founder and the first president of the American Federation of Poultry Producer Associations, an organization of cooperatives, formed in 1960 with its principal purpose being to establish communications between the poultry industry and the legal and political environment.[1]

William C. Pulliam, Jr., Manager, Gold Kist Poultry, was an original director in The North American Poultry Cooperative Association founded in April, 1961. This organization was formed to serve as an operating organization in the marketing of poultry products of its member cooperatives.[2]

Ralph D. Mobley, Manager, Broiler Production Services, was also very active as an officer and director of trade associations including: the Georgia Poultry

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[1] "Egg and Poultry Cooperatives Set Up National Association," *Dixie Co-Op News*, Vol. 10, No. 9 (April, 1960), p. 1.

[2] "Poultrymen Have New Marketing Association," *Dixie Co-Op News*, Vol. 11, No. 10 (May, 1969), p. 1.

Improvement Association; the Georgia Poultry Federation; and the Southeastern Poultry and Egg Association.[1]

Operations of Other Marketing Divisions

Grain Division

Though handling an increased volume of grain for members, exceeding $6 million in three of the five years in the period, the grain division continued to experience problems and was only able to contribute to net margin in 1959. There were a number of factors contributing to this problem, adverse weather conditions, and other elements contributing to poor quality or short crops, but the main problem was to get sufficient volume through the grain operation so that operating expenses could be brought in line. As is plainly shown in Table 7-2, sizeable increases in volume have little effect on operating expense. For the last two seasons shown in the table, volume increased by almost $3 million, yet operating expenses increased by less than $8 thousand.

These volume figures also illustrate the existence of a need for grain marketing facilities on the part of members. Furthermore, as research sponsored or supported

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[1]Taken from biographical data, on officers of the association obtained from Mrs. Jean Rice, Director of Public Relations—CPA, February, 1969, and reproduced in full in Appendix E.

Table 7-2

Summary of Marketing Operations for Grain in the Fiscal Years 1950-1951 Through 1957-1958

Season	*Marketing Volume*	*Storage Revenue*	*Total Revenue*	*Operating Expense*	*Operating Expense As A Percentage of Volume (percent)*
1950-1951	$ 412,330	$42,743	$ 455,073	$218,724	48
1951-1952	1,046,107	31,441	1,077,548	221,044	21
1952-1953	1,230,988	69,143	1,300,131	311,668	24
1953-1954	1,729,407	71,788	1,801,195	357,644	20
1954-1955	1,806,466	69,771	1,876,237	351,202	19
1955-1956	2,313,710	87,910	2,401,620	368,825	15
1956-1957	3,085,187	70,649	3,155,836	442,777	14
1957-1958	6,030,223	63,922	6,094,145	500,488	8

Source: Records of the Grain Division of The Cotton Producers Association.

by CPA began to show results in better seed, pesticides, and fertilization, and as educational efforts began to show results among farmers this need was intensified. One of the real problems of the grain division management was to sell the grain division to the membership and push for more receiving points in those areas where demand for marketing services was developing.[1] The grain division has continuously made a real contribution in terms of its part in the total services mix available to members, and continued efforts are being made to increase its operating effectiveness.

During the period, grain marketing services were expanded to South Carolina (January, 1957) with the leasing of an elevator at Easley, South Carolina, and by establishing a working relationship with the Eastern Carolina Farmers Co-Op at Florence, South Carolina.[2] The grain division also worked with a number of local cooperatives in Georgia, helping them to get grain marketing operations underway.

The association, along with eighteen other major farmer-owned regional grain marketing organizations,

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[1]Interview with W. W. Gaston, Vice President, Marketing, and former Director of the Grain Division, CPA, December 23, 1968.

[2]Tom Wiggins, "Grain Division Reports Progress: Leases South Carolina Facilities," *Dixie Co-Op News*, Vol. 8, No. 4 (November, 1959), p. 5.

established the Producers Export Company (Inc.) in July, 1958. It was organized for the purpose of expanding overseas sales of grains and oilseeds. Headquarters were established in New York City with agents in principal European markets. This organization made dealing with foreign buyers more efficient and economical.[1]

During the Fall of 1960, in an attempt to do everything possible to prevent a recurrance of a loss in the grain operation such as was sustained in the fiscal year 1959-1960, W. W. Gaston was named as Director of the Grain Division. Gaston had been working under Brooks as Assistant to the General Manager for Marketing prior to being asked to take over the grain operation. He served as Director of the Grain Division for two years and during that time, according to Brooks, he was able to get the operation back on a profitable basis by doing an exceptional management job.[2] (Summary operating figures of the grain division are contained in Table 7-4 at the end of this chapter.)

Pecan Division

Pecan marketing operations during the first three years of this period were profitable for the membership

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[1]"Grain Division Head Discusses Export Sales with PEC, New York," *Dixie Co-Op News*, Vol. 10, No. 1 (August, 1959), p. 2.

[2]Letter to all management personnel from D. W. Brooks, dated July 23, 1962.

even though short crops occurred in every year except 1956-1957. In that year, the Gold Kist Pecan Division marketed a record 15.5 million pounds.[1]

The deferred settlement pool put into operation in 1955 was being used by more and more farmer members. Experience had shown that growers, by placing their pecans in the pool, were earning between two and seven cents more per pound for their pecans.[2] While some of the larger growers had developed a practice of storing a part of each year's crop until after the harvesting season, they were not equipped to process the nuts or to store them as adequately as was CPA.[3]

The shelling plant at Waycross was renovated during the summer of 1958 in order to improve the quality of the finished product and to reduce the amount of hand labor involved in processing. Some of the innovative equipment was designed by the engineering department of CPA. The program of improvement costing about $100 thousand raised processing capacity by 50 percent.[4]

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[1]O. W. Thompson, "Pecan Division Has Good Year: Patrons Urged to Use Pool," *Dixie Co-Op News*, Vol. 8, No. 4 (November, 1957), p. 4.

[2]"Deferred Settlement Pool Pays Growers $421,897," *Dixie Co-Op News*, Vol. 10, No. 1 (August, 1959), p. 5.

[3]Interview with James L. Dendy, Jr., Manager, Gold Kist Pecans, December 19, 1968.

[4]"Gold Kist Pecan Plant at Waycross Being Revised," *Dixie Co-Op News*, Vol. 9, No. 1 (August, 1958), p. 8.

With two unsatisfactory years, 1960 and 1961, due to heavy costs associated with processing of the crops, the pecan division finished the five-year period with a net loss of $87 thousand. (See Table 7-4 at the end of this chapter for details.)

For a time during this period, the pecan and peanut divisions were combined because it was felt that there would be many benefits from operating the divisions together.[1] Such a combination did not work out, at this particular point in time, due to problems being experienced in the marketing of the two commodities. Moreover, inadequate experience of personnel in both commodities prevented the benefits from being realized as anticipated. Therefore, the two divisions were again separated during 1962.[2]

Cotton Division

Operations in cotton during the five-year period ended June 30, 1961, were generally satisfactory with a net margin earned in each of the years. Volume handled ranged between $29.3 million and $43.7 million. (Reference is made to Table 7-4 at the end of this chapter for details.)

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[1]Letter from D. W. Brooks to all managers dated July 23, 1962.

[2]*Ibid.*

Three pool arrangements were offered to members during these years. They were: the immediate fixation pool; the deferred settlement pool; and the regular CCC loan pool.[1]

During the latter part of this period, cotton exports were up and as a result the carry-over of cotton in 1960 (7.8 million bales) was at its lowest since 1953. Approximately 40 percent of the cotton handled for farmer-members in 1959-1960 was by export. The countries using large supplies of U.S. cotton were France, England, Germany, Denmark, Sweden, and Norway in Europe, and Hong Kong and Japan in the Far East.[2] The efforts of CPA management to develop foreign markets for commodities were resulting in returns to the members.

On June 30, 1959, W. Arnold Burns, one of the first five employees of CPA and a former director of the cotton operation, retired. He had been instrumental in the original organization of CPA and, in the last few years before retirement, was responsible for getting CPA established in Arizona. Since his retirement he has continued his involvement with day-to-day operations by directing the CPA member investment program.

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[1]Interview with P. L. Brauner, Manager, Atlanta Cotton Department, December 23, 1968.

[2]"Cotton Export Outlook Bright: CPA Cotton Director in Europe," *Dixie Co-Op News*, Vol. 10, No. 11 (June, 1960), p. 8.

Livestock Marketing

The marketing of livestock was discontinued in 1960 with the disposal of the Statesboro, Georgia, barn. It had not been possible in nine years of operation to get operations on a paying basis principally due to a lack of sufficient volume of stock moving through the barn. Therefore, management decided to continue study of the problem of how members' livestock marketing needs might better be served, but, meanwhile, to suspend the present operations.[1]

Egg Marketing

An experimental egg marketing division was established in April, 1957, at Gainesville, Florida. The operation, under the name of Gold Kist Egg Producers, was under the management of M. C. Leslie. The Cotton Producers Association had been studying egg production and marketing principles and practices and decided to set up this North Florida operation to gain experience.[2]

The operation was conducted less than two years, but in that time experience was gained, even if it was negative education, which would prove useful in a subsequent entry into egg production and marketing. One of the

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[1] Interview with D. W. Brooks, March 24, 1969.

[2] "Gold Kist Egg Producers Will Market Quality Eggs," *Dixie Co-Op News*, Vol. 7, No. 8 (March, 1957), pp. 1 and 5.

principal problems experienced was in securing producers.[1] The operation had a total volume of $246,157 and a net loss of $81,450 in the short time it was conducted.

Purchasing Division

Expansion

This division underwent substantial expansion in some departments during the five-year period ending June 30, 1961. Dollar volume exceeded $2 million in one month for the first time in March, 1957, and increased to almost $2.5 million the following month.[2] Purchasing activities continued to constitute the most consistent, as well as largest, contributor to overall net margin of the association. (Details are found in Table 7-4 at the conclusion of this chapter.)

The expansion within the purchasing division took place in fertilizer operations, feed facilities, farm supply wholesale and retail facilities, and in hatcheries.[3] (See Table 7-5 at the end of this chapter.) Each of these developments will be discussed in connection with the various departments in which they occurred. Their effect

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[1] Interview with J. Julian Baker, retired former Director of Distribution, December 13, 1968.

[2] "CPA Purchasing Division Sets New Volume Records," *Dixie Co-Op News*, Vol. 7, No. 10 (May, 1957), p. 1.

[3] While the operation of the hatcheries was conducted under the management of the purchasing division, they were discussed in connection with poultry operations earlier in this chapter.

on volume of the total purchasing operation can be seen in Table 7-3 by the comparison of the volume transacted by the major departments in the last year of the previous period, 1955-1956, and the last year of the current period, 1960-1961. In the six-year period shown, total volume more than tripled and the impact of the poultry operation can be seen in the considerable feed tonnage increase and in the growth in dollar volume of baby chicks.

Feed Department

Two feed mills were constructed and put into operation in the Southeast.[1] These mills, each having a one-shift capacity of 100 thousand tons yearly, are located at Flowery Branch, Georgia (opened November, 1957), and Guntersville, Alabama (opened January, 1958).[2]

Both of these facilities, while owned by CPA, are operated under the name of Cooperative Mills and are managed by Cooperative Mills, Inc., with which, it will be recalled, the association had established a relationship in the 1940's. The basic reason for utilizing the management group of Cooperative Mills was economic; that is, it prevented the duplication of a management team for these two new mills. Policy decisions remain in the hands

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[1]"CPA Opens New Feed Mill in Georgia on November 26," *Dixie Co-Op News*, Vol. 8, No. 4 (November, 1957), p. 1.

[2]"Two New Cooperative Mills Now Serving CPA Members," *Dixie Co-Op News*, Vol. 8, No. 6 (January, 1958), p. 5.

Table 7-3

Purchasing Division Volume by Major Departments for Fiscal Years Ending June 30, 1956 and June 30, 1961

	June 30, 1956	*June 30, 1961*
Total Division Volume	$11,769,840	$36,559,473
Feed (tons)	56,368	236,100
Plant Food (tons)	86,368	163,192
Seed and Farm Supplies	2,049,747	3,905,000
Pesticide and Animal Health	519,599	1,056,000
Baby Chicks	706,408	5,114,416

Source: Records of the Purchasing Division of The Cotton Producers Association.

of CPA and are implemented through a feed policy committee within the association.[1]

The production of these mills is altogether in poultry and livestock feed with approximately 80 to 85 percent of all poultry feed going into the broiler production program.[2] Since these mills went into operation, CPA has not drawn any poultry or livestock feed from the Co-Op Mills in Ohio. All that is obtained from that source now is about 4 thousand tons annually of dog food and rabbit feed.[3]

With the opening of these feed mills, a bulk feed program was offered to farmer-members located within a fifty-mile radius of the new mills. Since the two mills were located in the heavy broiler production areas of North Georgia and North Alabama, the service was available to a large proportion of the market. The bulk feed program has been found to reduce mill cost, cost to the local co-op, and to the farmer.[4]

One of the strongest assets accruing to The Cotton Producers Association from its relationship with Cooperative Mills, Inc., has always been the valuable and far-reaching

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[1]Interview with C. W. Paris, March 23, 1969.

[2]Interview with Ralph D. Mobley, December 19, 1968.

[3]Interview with C. W. Paris, March 23, 1969.

[4]James C. Hart, "CPA Now Offering Bulk Feed Service for Farmer Patrons," *Dixie Co-Op News*, Vol. 8, No. 10 (May, 1958), pp. 1 and 3.

research which would be unavailable to any one cooperative in the group.[1] CPA, and other members of the Cooperative Mills group, had, in 1961, sponsored research in progress at five feed test farms in operation scattered from Delaware to North Carolina to Minnesota. Research underway included egg production feed evaluation, broiler feed evaluation, swine and beef feed testing, turkey and livestock nutrition tests, and dairy cattle feeding programs.[2]

One of the products to come out of these continuing research programs during 1960, was an all-pelleted dairy feed which proved more adaptable to the feeders being used in milking parlors. It was also easier to handle in bulk feed operations to which many farmers were turning as an economy measure.[3]

Before the period, 1957-1961, was over, it appeared that a third feed mill was going to be required to efficiently serve the expanding feed needs of farmer-members of CPA. Site selection was begun in 1961 with Calhoun, Georgia, chosen as the site for a third mill. It would, however, be 1964 before the mill would become operational.[4]

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[1] Interview with J. Julian Baker, December 23, 1968.

[2] "Results From Feed Farms Go Directly to CPA Members," *Dixie Co-Op News*, Vol. 11, No. 10 (May, 1961), p. 6.

[3] *Ibid.*, p. 6.

[4] "Calhoun Chosen Site for CPA Feed Mill," *Dixie Co-Op News*, Vol. 12, No. 1 (August, 1961), p. 1.

Plant Food Department

During this period the fertilizer department was renamed the plant food department to more adequately reflect the nature of operations. This was only a minor element in the total changes of the period, which included the addition of three fertilizer plants, introduction of granular fertilizer and liquid nitrogen fertilizer, and a record breaking volume of tonnage.

It was during this period, September, 1960, that J. Elam Nunnally, the original director of the fertilizer operation, retired.[1] Coming into the organization in 1945, as an already experienced and well-known individual in the fertilizer industry, he was responsible for many improvements, new services, and innovations in the plant food operations of CPA.[2] He continues to serve in an advisory capacity to the purchasing division.

G. Allen Burson was promoted from his position as Director, Plant Food Distribution, to Director, Plant Food Services upon Nunnally's retirement. Burson, as a trainee, had held a number of positions in CPA and had been in his present position since 1956.[3]

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[1] "J. E. Nunnally Retires September 1: Will Serve in Advisory Capacity," *Dixie Co-Op News*, Vol. 11, No. 2 (September, 1962), p. 1.

[2] Interview with D. W. Brooks, March 24, 1969.

[3] "Burson Named Director, CPA Plant Food Services," *Dixie Co-Op News*, Vol. 11, No. 2 (September, 1958), p. 1.

A milestone was reached in fertilizer distribution in May, 1958, when the millionth ton of fertilizer was sold by the Farmers'Mutual Exchange in Moultrie, Georgia. This was immediately followed by the discovery that more CPA plant food was used by Georgia farmers, in the year ending June 30, 1958, than any other kind.[1] The amount of fertilizer distributed in the 1957-1958 fiscal year was 92,339 tons.[2] Distribution of 109,880 tons of CPA fertilizer in 1958-1959 was also the largest of any distributor in Georgia.[3] April, 1959, was the largest volume month in the history of the plant food operation.[4]

In March, 1960, liquid nitrogen fertilizer solutions were made available to farm members in South Georgia and North Florida through fifteen Farmers' Mutual Exchanges in that area. Since the FMX would make the application at no cost, a labor-saving benefit was received. Moreover, it could be more efficiently applied and did not have to depend on rain to activate it. As farmers expressed

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[1]"CPA Reaches Millionth Ton of Plant Food on May 23rd," *Dixie Co-Op News*, Vol. 9, No. 1 (August, 1958), p. 1.

[2]Records of the purchasing division, The Cotton Producers Association.

[3]"Why Cooperatives Grow," *Dixie Co-Op News*, Vol. 10, No. 1 (August, 1959), p. 2.

[4]Records of the purchasing division, The Cotton Producers Association.

desire and need, it was expected that this service would be expanded to more areas.[1]

The first fertilizer plant acquisition during the period was at Royston, Georgia, on July 1, 1960.[2] The plant was to have an annual output of 12 to 15 thousand tons to serve farmers in Northeast Georgia. The small capacity of the plant made it an inefficient operation and, with the advent of granular fertilizer, the decision was made to close down this facility.

The second plant was constructed in 1960 near Hanceville and Cullman, Alabama, in order to aid efforts to expand services to farmers in North Alabama. The plant, which began operations in December, 1960, was equipped for the manufacture of granular fertilizer only. Despite the inherent advantages of granular, including even distribution of nutrients and better distribution, the farmer in this area was slow to accept it. In retrospect, it is felt that if the farmers had been given a choice, granular or pulverized, the operation might not have been hampered in its acceptance in the area. This problem, however, was

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[1] "15 FMX's Now Supplying Liquid Nitrogen Solutions," *Dixie Co-Op News*, Vol. 10, No. 8 (March, 1960), p. 1.

[2] The following discussion of fertilizer plant acquisitions is based on an interview with Quentin S. Lee, Director, Plant Food Services, December 18, 1968, and on a letter concerning fertilizer plant history received from him, December 23, 1968.

gradually overcome as the usage of granular fertilizer became more widespread.

The third plant acquired in this period was purchased at Meigs, Georgia, in the Fall of 1960. This plant was purchased to serve a small area of Southwest Georgia and Northwest Florida. Even though it was a small plant and inefficient, it would be kept in operation until the Fall of 1965.

Also during this period, the Cordele plant, which had been purchased in 1946, was converted over to granular during the 1959-1960 season. Completion of the installation of granulation equipment was accomplished in February, 1960. Due to the wide acceptance of granulation during the 1960-1961 and 1961-1962 seasons, the plant would be converted over to granular completely in 1963. Superphosphate is also manufactured at this plant.

These acquisitions and construction brought to six the number of fertilizer plants in operation by CPA at June 30, 1961. Two of these were manufacturing granular fertilizer, one exclusively, and the other also manufacturing pulverized fertilizer.

That CPA was keeping abreast of the market by expanding its plant food services is borne out by a report of the U.S. Department of Agriculture issued in June, 1961. That report indicated that, while fertilizer consumption

in the nation as a whole was declining, consumption in Georgia was increasing faster than in any other state. The increase in Georgia fertilizer consumption was 253 thousand tons. It is felt that this trend indicated both the rising efficiency of Georgia farmers and the state's increasing importance as a supplier of agricultural products in the Southeastern section of the country.[1] With CPA having the largest share of the fertilizer market in Georgia, volume increases should be expected and management had every reason to be pleased with the contribution of the plant food department.

Seed and Farm Supply Department

This department, of which Watson S. Brown became director in October, 1959, continued to provide improved and expanded services to farmer-members in this period.[2] Continued efforts to educate farmers to the need for quality seed were accompanied by continued attempts to make available to farmers seed most suited to the area.

Farmers' Mutual Exchanges continued to be opened at a steady pace providing opportunities to serve farmers more adequately and with a broader range of services. The

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[1] "Georgia Records Greatest Increase in Fertilizer Use," *Dixie Co-Op News*, Vol. 11, No. 11 (June, 1961), p. 2.

[2] "Brown Named Director Seed and Farm Supply," *Dixie Co-Op News*, Vol. 10, No. 3 (October, 1959), p. 1.

most noticeable development was the large number of FMX operations begun in Alabama during this period.

Pesticide and Animal Health Department

Operations of this department during the period were gradually expanded into the area of animal health because of the increasing involvement of CPA in serving poultry and livestock producers. Volume continued to expand from this service as well as from the results of the continuing efforts to educate the farmer to proper uses of pesticides.

Personnel Changes

Several personnel changes have been mentioned in connection with specific divisions, but others of the period need pointing out in order to indicate the concern over optimum utilization of existing personnel.

In a letter, D. W. Brooks wrote:

> Due to the tremendous growth of CPA, particularly during the last ten years, there has been a gradual feeling that the load I was carrying was probably too much for one person. If one person carries too much of a load in a large organization there is always danger of hampering the growth and efficiency of the organization.
>
> CPA started many years ago with a definite policy of organizational setup. Since this organizational setup had worked in a manner which we considered very satisfactory, we had never brought anyone in from outside to study it. Last year in order to look over the entire setup, . . . we brought in consultants to study our organization and to study the work load.

> After making a study of several months, they made some long range recommendations for CPA. . . . [W]e are planning to put in some of the recommendations we think are good. One of the recommendations they made was that I should have three people working with me as Assistant General Managers. Those of us who have discussed the matter . . . feel there is a justification for two Assistant Managers, but as yet we question a third. . . .
>
> In order to begin to move in the direction of that part of the recommendation with which we agree, I asked the Board of Directors . . . to give me the right to . . . name Mr. C. W. Paris as Assistant General Manager for Purchasing. . . . Believing that Mr. Paris is fully qualified in every respect for this position . . . I have asked Mr. Paris to take over the duties of Assistant General Manager for Purchasing as of January 1 [1960].
>
> Another recommendation that was made was that we have an Assistant General Manager for Marketing. In view of the fact that marketing is very complex and difficult and it is the part of cooperative effort that has created the most difficulties for cooperatives in this country, I fully realize that any person who takes on marketing must have unusual qualifications.
>
> In looking over the people in our organization, . . . I came to the conclusion that I had no one I could pull out of his present position and make him Assistant General Manager for Marketing at this time. However, I felt that I needed someone at the earliest possible date to start working with me on marketing problems, because I felt that with a person working closely with me on marketing, I could work much faster and could be far more effective in working with the marketing operations with such an assistant, than I have in the past.[1]

He continues on by saying that there is some weakness in the marketing operation in that there are no personnel below the management level who could move into the manager's position. He recognized the need for correcting this problem as rapidly as possible. He felt that at this time

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[1]Letter dated January 11, 1960, from D. W. Brooks to all department and division managers of CPA.

the only two people with overall marketing experience were himself and C. B. FunderBurk. Brooks continues:

> Looking over the field carefully to try to get someone who could work with me in learning the overall marketing picture . . . I have decided to bring in at this time as Assistant to the General Manager for Marketing, [William W.] Bill Gaston.[1]

The letter also details the need to relieve FunderBurk of some of his overly heavy responsibilities and appoints Robert Rowland to the position of Assistant Treasurer and in charge of internal auditing. John J. Moseley, Jr., was promoted to Chief Accountant for CPA, reporting directly to FunderBurk. His specific initial responsibility was to study every division and modernize the accounting of each division.

Figure 7-1 is an attempt to represent these changes graphically in the organization structure at January 1, 1960. It is apparent that this was but an interim step which was necessitated by an inability to completely divisionalize at the Assistant Manager level (vice president equivalent) of the organization. It does seem as if there are some problems, brought on by rapid expansion of the past few years, in staffing of management positions during this time. These problems reinforced the need for

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[1]It will be recalled that Gaston was transferred over to the Grain Division as Director in late 1960 in order to deal with problems in that operation.

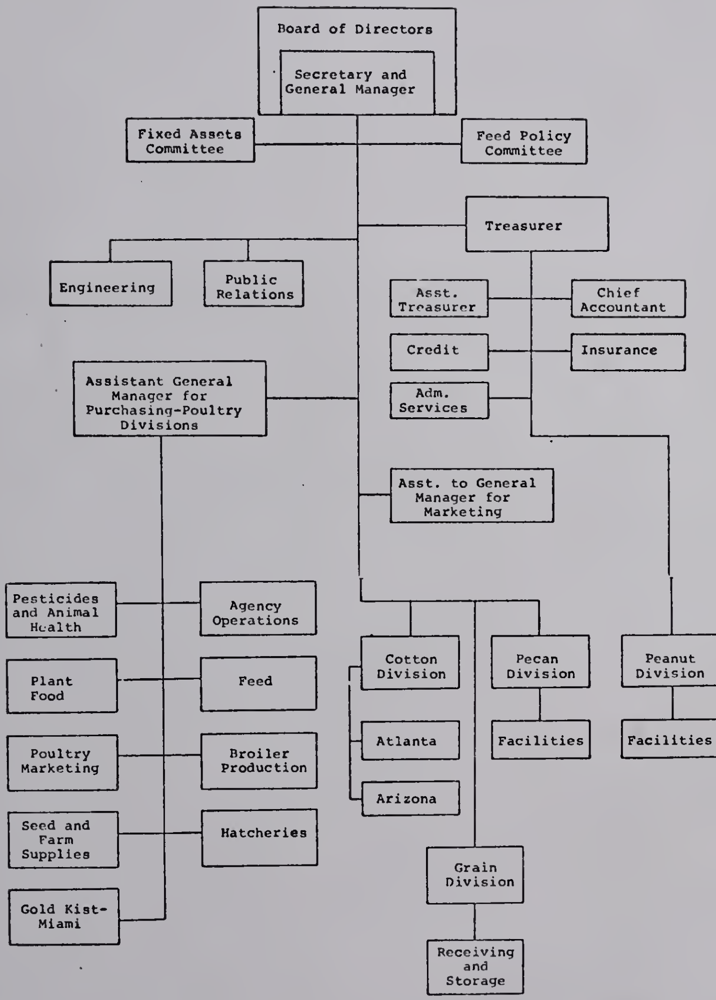

Figure 7-1. Organization structure of The Cotton Producers Association on January 1, 1960

management to give more attention to manpower development and to the development of an inventory of management personnel.

Headquarters Building Constructed

In the Fall of 1960, the headquarters of The Cotton Producers Association was moved from its original location at 308 1/2 Ivy Street, Atlanta, to a newly constructed three-story structure at 3348 Peachtree Road, Atlanta.[1] It is fitting that the fiscal year ended June 30, 1960, as the best ever recorded, coincided with the move to modern and adequate quarters. The sister organization, The Cotton States Insurance Companies also moved into the new facility.[2]

Additional Financing Sought

Considering the growth and expansion of CPA during these years, it is not uncommon that additional financing was sought from the members in the form of the Preferred Capital Certificates of Interest. An issue of $2 million in these cumulative 5 percent certificates was authorized in March, 1959, on the same basis that the original issue

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[1]"CPA Plans Biggest Best Annual Meeting: Has Most Successful Year in History," *Dixie Co-Op News*, Vol. 11, No. 4 (November, 1960), pp. 1-2.

[2]Complete details on The Cotton States Insurance Companies are contained in Chapter VIII.

in 1953 had been.[1] There was no maturity date; however, the policy established in 1953, of providing a reserve fune of one-half of 1 percent of the certificates outstanding each month, was continued to provide funds should investors want to cash their certificates. At June 30, 1958, the net worth of the association had been $16,262,296, an increase of over $10 million since the first issue in 1953.[2] This issue was completely subscribed by December of 1959.[3] A second issue was offered on July 1, 1960, in the amount of $1 million and it was fully subscribed within ninety days.[4]

At the close of this period, June, 1961, an additional issue of $500 thousand was authorized. By this time net worth of the association exceeded $24 million.[5] It too, was quickly subscribed. W. Arnold Burns, retired cotton manager, had been a strong influence in getting these issues invested quickly.

As CPA moved forward into the decade of the 1960's, this form of financing would be often used to provide for

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[1]"CPA Board Authorizes $2,000,000 Cumulative 5% Preferred Capital Certificates of Interest," *Dixie Co-Op News*, Vol. 9, No. 8 (March, 1959), p. 1.

[2]Taken from financial records of the association.

[3]Interview with W. Arnold Burns, December 23, 1968.

[4]"Members Invest $1,000,000 in 5% Certificates," *Dixie Co-Op News*, Vol. 11, No. 3 (October, 1960), p. 1.

[5]"$500,000 Issue of Certificates Authorized," *Dixie Co-Op News*, Vol. 11, No. 11 (June, 1961), p. 1.

facility expansion and for working capital purposes. The continued growth of the association seemed very likely in view of the impressive record compiled in the five years between 1957-1961, a time when farm prices, despite governmental programs, were near their lowest levels in fifteen years.[1]

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[1] "Farm Prices Are Near Lowest Levels in 15 Years Despite Costly Government Efforts to Bolster Them," (reprint from *The Wall Street Journal*, November 3, 1959), *Dixie Co-Op News*, Vol. 10, No. 5 (December, 1959), p. 5.

Table 7-4

Volume of Business and Net Margin[a] by Divisions of The Cotton Producers Association 1956-1957 through 1960-1961

(cents omitted)

	Cotton Division		*Purchasing Division*		*Grain Division*		*Pecan Division*	
Year	*Sales Volume*	*Net Margin*	*Patrons Purchases*	*Net Margin*	*Sales Volume*	*Net Margin*	*Sales Volume*	*Net Margin*
1956-1957	$38,220,566	$322,110	$16,408,487	$1,125,830	$3,117,867	($34,654)	$3,676,599	$122,348
1957-1958	34,139,950	81,664	20,141,358	1,915,669	6,450,993	(117,599)	2,586,549	73,113
1958-1959	43,752,185	297,517	27,038,085	2,518,004	6,592,528	58,703	4,738,585	70,805
1959-1960	29,345,258	91,126	30,296,597	2,839,493	7,623,777	(409,315)	3,443,016	(203,133)
1960-1961	30,459,257	530,417	36,559,473	3,031,389	3,745,367	(15,077)	5,346,591	(150,982)

Source: Data for this table were obtained from annual audits of the association prepared by professional auditing firms.

[a]Figures shown in parentheses indicate a net operating loss.

Table 7-4—*Continued*

	Livestock Division		*Poultry Division*		*Peanut Division*	
Year	*Sales Volume*	*Net Margin*	*Sales Volume*	*Net Margin*	*Sales Volume*	*Net Margin*
1956-1957	$944,720	($19,557)	$8,541,941	$200,980	$21,993,077	$298,926
1957-1958	1,275,583	(20,406)	13,978,502	160,112	29,186,407	395,492
1958-1959	1,070,947	(15,922)	26,889,913	625,979	30,032,890	(2,069,949)
1959-1960	774,174	(10,031)	33,488,604	370,529	26,055,422	339,178
1960-1961	. . .	. . .	35,315,526	291,170	30,079,966	(153,253)

Table 7-5

Total Assets and Facility Investment[a] by Divisions[b] of The Cotton Producers Association 1956-1957 through 1960-1961

(cents omitted)

	Cotton Division		*Purchasing Division*		*Grain Division*		*Pecan Division*	
Year	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*
1956-1957	$3,703,679	$1,280,032	$9,729,788	$2,837,543	$1,803,652	$1,347,232	$2,893,830	$606,872
1957-1958	4,871,400	1,580,428	12,316,041	3,939,599	2,330,284	1,507,462	1,705,723	638,741
1958-1959	2,865,215	1,682,609	14,111,131	4,299,565	4,167,780	1,525,926	3,031,042	885,737
1959-1960	4,383,692	1,729,278	17,110,123	5,329,094	2,565,224	1,449,235	2,250,355	914,928
1960-1961	6,163,498	1,757,016	20,218,904	6,776,208	2,080,664	1,410,092	4,356,422	924,496

Source: Data for this table were obtained from annual audits of the association prepared by professional auditing firms.

[a]Shown after Reserve for Depreciation.

[b]Assets and facility investment of the General Administrative Division not shown.

Table 7-5—*Continued*

Year	*Livestock Division*		*Poultry Division*		*Peanut Division*	
	Total Assets	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*
1956-1957	$ 94,631	$85,872	$1,028,150	$2,837,543	$7,832,489	$5,283,729
1957-1958	101,463	85,466	1,808,452	3,939,599	8,963,720	5,286,725
1958-1959	102,033	85,540	3,436,029	4,299,565	7,844,484	5,182,650
1959-1960	88,819	1,094	4,070,583	5,392,094	8,254,031	5,078,914
1960-1961	. . .	. . .	4,594,004	6,776,208	8,560,080	5,643,909

CHAPTER VIII

PLANNING AND REORGANIZATION TO MEET OPPORTUNITIES: 1961-1962 THROUGH 1967-1968

Focus on Organization and Management

The Cotton Producers Association held its thirty-fifth annual meeting in Atlanta on November 25-26, 1968. The delegates, a record attendance of almost 3,000, heard from the officers the details on the most successful year in the history of CPA. Volume for the year ended June 30, 1968, was almost $270 million with net margins near $8 million. Yet while this pleasurable task was being performed by the officers, events were occurring which would outmode many of the accomplishments and certainly change the scope and level of operations as soon as they were completed.

Among these important new efforts was the completion of negotiations, which less than one week after the annual meeting, December 1, 1968, would be culminated for the purchase of the Georgia and Florida operations of Hales and Hunter Company.[1] In this acquisition, the following facilities would be obtained: a poultry processing plant at Carrollton, Georgia; a hatchery at Acworth, Georgia; a

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[1]"CPA Buys Hales and Hunter GA/FLA. Poultry Operations," *Dixie Co-Op News*, Vol. 19, No. 6 (December, 1968), pp. 1 and 13.

feed mill at Cartersville, Georgia; and an egg processing plant, hatchery, and a small feed mill at Hilliard, Florida. A significant expansion in broiler production would therefore occur and an egg production and marketing program, already in the planning for 1970, would be started one year ahead of original projections.[1]

About 250 miles south of the annual meeting location, in Valdosta, Georgia, construction was being completed on a multimillion dollar soybean processing plant having an annual capacity of 15 million bushels per year.[2] This plant represents another step in the long-range program of CPA to direct farmer-members toward higher income crops. CPA began in the early 1950's to encourage farmers to consider planting soybeans as a cash crop.[3] Soybean production in Georgia and Florida has shown sizeable growth in recent years with the bulk of that production coming from South Georgia and North Florida, in which general area Valdosta

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[1]Interview with C. W. Paris, March 25, 1969.

[2]"CPA Will Construct Large Soybean Processing Plant," *Dixie Co-Op News*, Vol. 17, No. 9 (March, 1967), p. 1.

[3]Interview with Edward G. Howell, Manager, Gold Kist Soybean Processing Plant, Valdosta, Georgia, March 18, 1969, which was during the time that the facility actually became operational.

is located.[1] With production expected to continue to increase in Georgia, although not likely in Florida, it would certainly appear that a need, already extant for soybean processing facilities, is likely to intensify.[2]

Concurrent with these projects, an integrated catfish program was being placed in operation.[3] It was expected that the first dressed catfish would be marketed in the Fall, 1969. This program involved the establishment of breeding and hatching operations near Quitman, Georgia; contracting with growers and assisting them in getting the appropriate facilities for the growing programs; and finally, constructing a processing plant. A market for this product has long existed, but one of the principal problems has been the variation in supply which has kept the product for the most

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[1]Soybean production in Georgia advanced from about 1.3 million bushels in 1960 to 6.9 million bushels in 1966, and in 1967, production was 13 million bushels. In Florida, production advanced from 3.2 million bushels in 1960 to 6.9 million bushels in 1966, and to 12.9 million bushels for 1967. This indicates a total production in the two States for 1967 of almost 26 million bushels. These data were obtained from: *Agricultural Statistics, 1963-1968*, U. S. Government Printing Office, Washington, 1968.

[2]Daniel H. McVey and Robert J. Byrne, *Economic Feasibility for Processing Soybeans in Georgia by The Cotton Producers Association*, Farmer Cooperative Service, U. S. Department of Agriculture, Special Case Study 258 (Feburary, 1967).

[3]Information on the catfish program obtained from interviews with C. W. Paris, March 20, 1969, Joseph H. Marshall, Director, Research and Development, March 21, 1969, and Henry Williams, Director of the Catfish Development Program, March 21, 1969.

part out of the normal channels of distribution. The promise of availability of a dependable source of supply enabled CPA to secure several large continuing accounts prior to getting this operation underway.

These represent only three of the many projects and programs which were in various stages of development in the summer of 1968. They are mentioned to indicate the nature of at least one aspect of activities in the seven-year period ending June 30, 1968. These projects reflect a much greater emphasis on developing long-range planning of activities to more adequately serve the members of CPA.

During this period, expansion continued while significant steps to provide more comprehensive services were being recorded. These developments will be presently discussed. In many respects, however, it seems that the present period of the history of CPA is most notable as a period of considerable introspection and analysis.

Events and activities of the previous two periods had resulted in a sizeable growth in terms of volume and margins. Perhaps more important to focusing the activities of the present period, however, was the effect of these periods of unbridled expansion and diversification on the organization and administration of CPA. At the conclusion of discussion of the previous period, June 30, 1961, there

was some indication that management recognized the need for organizational and administrative change. Now that the association had reached such size and scope, it was necessary to modify the structure and type of organizational form so that the planning, administration, coordination, and control of this large multi-divisional and multi-faceted economic unit could be optimally achieved. Opportunities to effect savings through reducing duplication of functions in the various divisions suggested centralization of such functions. Efforts to achieve optimum administration and control suggested steps toward more decentralized operations. As the operations of the period are discussed, the wrestling of management with these problems will be seen.

A second factor causing this general area to become of concern was the realization that the two principal participants in the organization and growth of CPA up to this time, C. B. FunderBurk and D. W. Brooks, would reach the established mandatory retirement age in a short while. The heavy responsibilities and management tasks performed by these men would have to be shifted to others in the near future.

Much change occurred within the organization during this period due to the aforementioned factors as well as because of other considerations. This brief background

should make some of the changes and events assume greater meaning or, at least, be more readily understood.

Divisional Activity

No really new divisions are added to the organization during this period. A livestock operation discussed in detail later, is again introduced in 1966, but this being a feed lot operation is unlike the livestock venture conducted during the period, 1952-1960.

Poultry activities attain true divisional status and the hatchery operations, originally within the purchasing division, are transferred into the newly organized poultry division. This transfer, as can be seen from the operating data for the 1966-1967 fiscal year, has considerable effect on the total volume reported by these two divisions.

In the 1966-1967 fiscal year, the pecan and peanut divisions are once again combined under a single manager. This occurs after merger activity has considerably enlarged the peanut marketing and processing operation.

A central traffic department (1963) and a central engineering department (1968) also come into existence and all accounting operations are centralized under one manager (1964). Other changes that occurred will be mentioned as appropriate. Reflecting these changes which occur during the period, Figure 8-1 shows the organization structure at

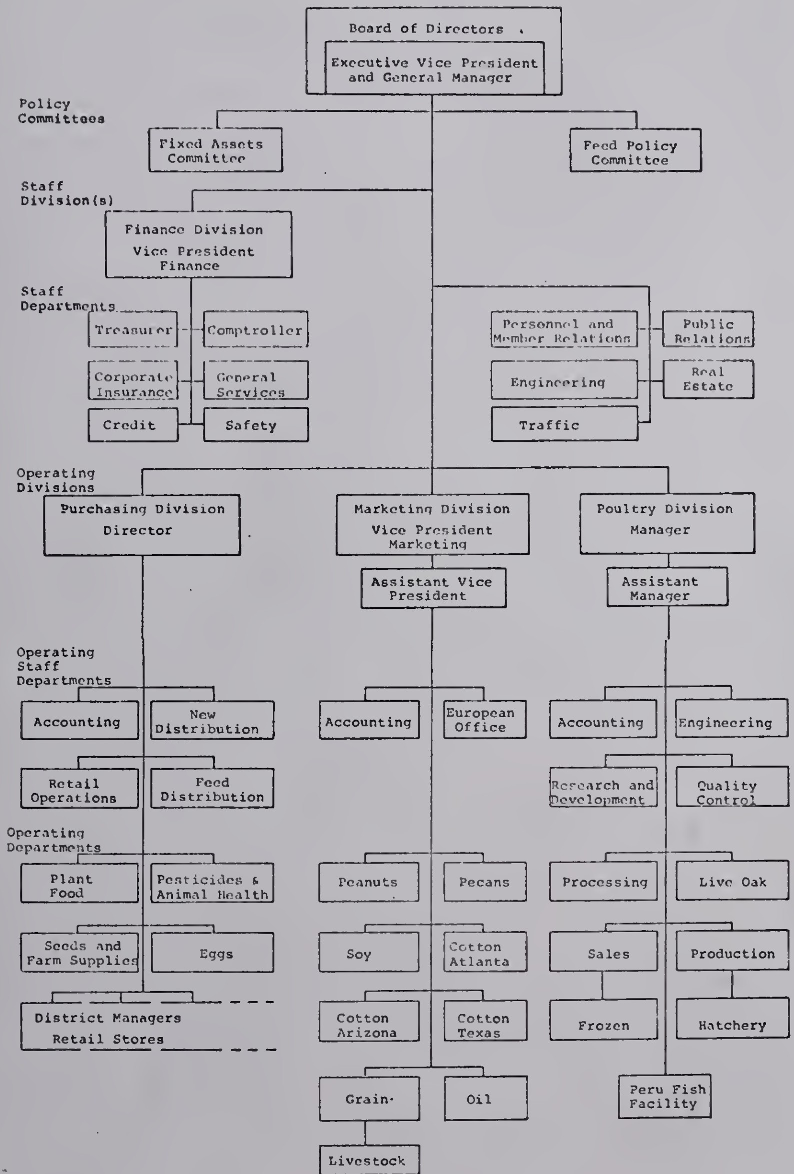

Figure 8-1. Organization structure of The Cotton Producers Association on June 30, 1968

June 30, 1968. This illustration will be useful in discussing changes as they occur.

Changes in Operating Management

The two major occurrences which precipitated considerable change and affected the entire organization were the retirements of C. B. FunderBurk in November, 1965, and of D. W. Brooks at the end of the period, June, 1968.

FunderBurk Retires

A number of management changes took place upon the retirement of FunderBurk, not all of them directly related to his stepping down from active management. In considering the vacancy which would be created by his retirement, management and the Board of Directors felt that this would be an appropriate time to make whatever other changes were necessary for improving the organization and administration of CPA.[1]

The result of this reorganization was that the organizational title of D. W. Brooks was changed from Secretary-General Manager to Executive Vice President-General Manager-Secretary.[2] The official title of C. W. Paris was

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[1]Letter dated October 28, 1965, from D. W. Brooks to all Department Heads of The Cotton Producers Association.

[2]Changes in management responsibilities and titles discussed in this section taken from letter of October 28, 1965, in which D. W. Brooks announced these changes to all managers.

changed from Assistant General Manager to Vice President and Assistant General Manager. W. W. Gaston, who it will be recalled had served as Assistant to the General Manager for Marketing, manager of the grain division, and as manager of the marketing divisions since 1962, was promoted to Vice President, Marketing.

The duties of the retiring FunderBurk were assumed by Roger E. Hill as Vice President, Finance and Robert R. Rowland as Treasurer. Hill assumed overall responsibility for the areas of finance, accounting, credit, corporate insurance, and general office services. These changes created the Finance Division as shown in Figure 8-1. Rowland assumed specific responsibility for the finance department. John J. Moseley, Jr., Comptroller, continued in charge of all accounting operations of the association, a position to which he had been promoted in 1964. As the computer facility was put in operation during the period, it was placed under his area of responsibility. These promotions and new positions served in the words of Brooks: ". . . to streamline our operations to some extent. . . . It will also relieve some of the operating people of the details of these several operations. . . . We . . . believe that it will greatly strengthen the overall operating procedures. . . ."[1]

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[1]Letter dated October 28, 1965 to all managers from D. W. Brooks.

Brooks Retires

Major organizational changes accompanied the retirement of D. W. Brooks from active day-to-day management in June, 1968. Because these changes had been in the planning stage for several years, the problems associated with their implementation were somewhat reduced. Moreover, the management team which moved into the new responsibilities, almost without exception, had grown up in the organization and were well trained for their new roles. This, too, reduced the problems and friction associated with the retirement of the "founder" of CPA, D. W. Brooks.

The changes which resulted in the form of organization as indicated in Figure 8-1 were concerned with achieving more closely defined responsibility and accountability of management personnel. At the same time, better coordination and control were also expected to result from these efforts.[1]

In a meeting of the Board of Directors of The Cotton Producers Association at Atlanta on June 24, 1968, the following changes were made in the management of the organization.[2] C. Wesley Paris was named as Executive Vice

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[1]This observation based on conversations held with D. W. Brooks, February 14, 1969, and C. W. Paris, December 20, 1968.

[2]Details surrounding the management changes attendant to the retirement of Brooks were obtained from several sources including interviews with Paris, Brooks and other involved officials as well as internal correspondence and from, "Paris Elected New General Manager: Brooks Named Chairman of the Board," *Dixie Co-Op News*, Vol. 19, No. 1 (July, 1968), p. 1.

President and General Manager to succeed D. W. Brooks who was elected Chairman of the Board, a newly created position. While no longer active in day-to-day management, Brooks would continue to maintain an office in the Atlanta headquarters, devoting his attention to long-range planning and export activities, and be available for advice and counsel. Brooks writing to the membership about his retirement waid that, in discussing the matter with the board members, they indicated to him that they wanted to elect him board chairman upon his retirement. He goes on to say that:

> This will not be an operating title, but it will give me some kind of title, so that the management team at CPA will feel free to come and discuss matters with me. Furthermore, if I need to do some negotiating on some of these large deals that we get in on from time to time, or negotiate some large deals or sales overseas, I will at least have some title that might be helpful to CPA in handling matters of this kind.[1]

In this same article to members, he discusses his role after retirement in commenting on the team of management people who have been developed to continue to guide the organization.

> As a practical matter, the reason why CPA has succeeded is because I had the foresight to build a team. That team is going to be here, and it is a better team than it has ever been. Although, I won't be captain of the

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[1]D. W. Brooks, "Retirement 1968," *Dixie Co-Op News*, Vol. 18, No. 11 (May, 1968), p. 3.

> team from here on out, I will be an advisor to the team. Any time they need some help or advice, I will be right here. . . .[1]

It is a tribute to Brooks that he has been able to make this adjustment after having spent thirty-five years as the principal force in CPA. Furthermore, it is a testimonial to his confidence in the remaining management members.

With the elevation of Paris to his new position as chief executive officer of the association, the two divisions, over which he had previously had line authority, were elevated to full divisional status on an organizational level with the marketing division. The resulting reorganization is depicted in Figure 8-1.

The purchasing division had been under the management of G. Allen Burson since 1967, when he was promoted from Director of General Distribution. In this position, Burson is responsible for the operation of all Farmers' Mutual Exchanges and for the departments of seed, feed, plant food, farm supplies, pesticides and animal health.[2] The reorganization resulted in no changes in the overall responsibilities of Burson, but was rather an attempt to establish the three operating divisions on an equal organizational plane.[3]

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[1]*Ibid.*

[2]Interview with G. Allen Burson, December 17, 1968.

[3]Interview with C. W. Paris, December 20, 1968.

The poultry division has been under the direction of William C. Pulliam, Jr., as Manager, since July, 1966.[1] It was at that time that all of the poultry operations were consolidated and headquartered in Atlanta. Prior to then, the operations had been headquartered at Canton, Georgia and, as already mentioned, hatcheries and broiler production had been under the purchasing division. Ralph D. Mobley, who had managed the hatchery and broiler production activities for several years, was made Assistant Manager of the Gold Kist Poultry Division at the time of consolidation, a position he presently holds.[2]

As in the case of the purchasing division, no change in overall responsibilities of the management of the poultry division occurred with the promotion of Paris. Pulliam has direct responsibility for all poultry activities. Mobley, in addition to his responsibilities as Assistant Manager, is directly responsible for the hatcheries and broiler production program. This was an intra-organizational clarification of authority and responsibility which was

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[1] "All of Poultry Operations Consolidated Into Gold Kist," *Dixie Co-Op News*, Vol. 17, No. 1 (July, 1966), p. 2.

[2] Interview with Ralph D. Mobley, December 18, 1968.

designed to improve coordination and control among the divisions.[1]

The marketing division under the direction of W. W. Gaston since 1962, and with the title of Vice President of the Marketing Division since the retirement of FunderBurk in 1965, underwent minor reorganization shortly after the retirement of Brooks.[2] The principal change was in the appointment of an Assistant Vice President of the Marketing Division. Donald W. Sands was appointed to that position at the start of fiscal year 1969. Sands, who had come into the organization as a result of the peanut merger in 1956, had been Director of the Gold Kist Peanut and Pecan Divisions from the time of their combination in February, 1967. Before that his experience had been with the peanut division, serving as its director from 1962.

In his new position, Sands, in addition to assisting Gaston in the management of all marketing divisions, was

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[1]It was also indicated that in the near future the titles of all three division directors would be standardized, probably to that of Vice President, according to C. W. Paris in an interview December 20, 1968.

[2]The discussion of changes in the marketing divisions is based on interviews held with W. W. Gaston and D. W. Sands on December 18, 1968, and a letter of July 20, 1969, from Gaston outlining personnel changes to all marketing division managers.

given direct responsibility for the peanut, pecan, and soybean operations. Reporting to him as directors of these divisions are: H. E. (Andy) Anderson, Director, Gold Kist Peanuts; James L. Dendy, Jr., Director, Gold Kist Pecans, and; Gaylord O. Coan, Director Gold Kist Soy.

Another change in personnel within the marketing divisions should be mentioned at this point. It occurred not as a result of retirements, but rather as a result of the planned entry into soybean processing and the general expansion of the grain operation. Thomas F. Toohey was brought into the organization in late 1967 to manage the expanded grain operation. Toohey brought to the organization many years of experience in grain marketing through his association with the Farmers Union Grain Terminal Association in the States of Minnesota, North and South Dakota, and Montana. He also had held numerous offices in industry and government associations. With the steady expansion of grain marketing and the expected impact of the newly organized soybean operation, management in CPA felt that the addition of someone with broad grain marketing experience was advisable.

While there were numerous other changes in lower-level management which took place during the period under discussion,

some of which will be subsequently mentioned as appropriate, the foregoing are those changes having the greatest impact on the overall operations of the association.[1]

One further change which occurred at the officer and director level during this period bears mention. Smilie S. Johnson, a native of Floyd County, Georgia, both a director and officer of The Cotton Producers Association, died July 30, 1962.[2] Serving as the first and only president of the association until his death, Johnson was also active in numerous other farm organizations on the local, state, and national levels. Brooks in speaking of him said:

> Being a farmer himself, Johnson understood the many problems of agriculture and was extremely interested in the welfare of farmers. He dedicated much of his time and worked many hours to help raise the income of farmers in the Southeast.[3]

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[1]The management of CPA lost through retirement on December 31, 1965, J. Julian Baker, Director of General Distribution and of the feed distribution program. His association with CPA in 1945 was largely responsible for the development and profitable growth of the feed program. Moreover, his work in the development of the retail agency operations was notable. Baker continues to serve as an advisor to the purchasing division. Taken from: "J. Julian Baker Announces Retirement," *Dixie Co-Op News*, Vol. 16, No. 7 (January, 1966), p. 1., and from interview with D. W. Brooks, February 14, 1969.

[2]Information on Smilie S. Johnson taken from: "Death Takes S. S. Johnson: First, Only CPA President," *Dixie Co-Op News*, Vol. 13, No. 1 (August, 1962), p. 1.

[3]Interview with D. W. Brooks, February 14, 1969.

On September 11, 1962, the Board of Directors elected Warren P. Sewell, Vice President of the organization since inception, the second President in the history of CPA.[1] Sewell, a native of Randolph County, Alabama, continues to serve the association in that capacity at the present time. An outstanding figure in the Southeast, he, in addition to farming, has been actively and intimately connected with the clothing industry in Georgia and Alabama. He has long served as a director in several area financial institutions and trade associations.

Facility Expansion

While there were no totally new operations added during this period, there was notable growth in total assets and in facility investment. Total assets expanded between 1961 and 1968 by $69.1 million to $118.2 million at June 30, 1968.[2] Facility investment, at cost, grew in the same period by $28.9 million to $50.4 million.[3] (For a breakdown

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[1]This and other information on Warren P. Sewell taken largely from interviews with Paris and Brooks on December 20, 1968 and February 14, 1969, respectively and supplemented by an article in the association newspaper entitled: "Warren P. Sewell, New CPA President," *Dixie Co-Op News*, Vol. 13, No. 2 (September, 1962), p. 1.

[2]Taken from financial records of The Cotton Producers Association obtained through the offices of John J. Moseley, Jr., Comptroller.

[3]*Ibid.*

of these changes by divisions, on a year-by-year basis, reference is made to Table 8-1.)

Accounting for this growth in total assets and investment in facilities was continued steady expansion primarily in the purchasing, poultry, and peanut operations. This expansion, achieved by various means, enabled CPA to broaden its services to farmers as well as to provide services more economically and efficiently.

Purchasing Division

Facility expansion in purchasing operations included the continued growth of the FMX network, a new pesticide plant, new facilities enabling the association to become basic in fertilizer manufacturing, and greater feed manufacturing capacity. Furthermore, construction of a fishmeal processing facility provided a firm supply of a basic ingredient in poultry feed within a known cost structure.

The expansion of Farmers' Mutual Exchange stores continued along planned lines with several new stores opened each year. Opening of stores in South Carolina during this period provided purchasing services to farmers in that state for the first time. Greater availability of purchasing services in Alabama and in Florida resulted from a number of stores opened in those states. As an example of the expansion rate and the geographic areas involved, in the 1967-1968 fiscal year, new farm service centers were opened

Table 8-1

Total Assets and Facility Investment[a] by Divisions of The Cotton Producers Association 1961-1962 through 1967-1968[b]
(cents omitted)

	Marketing Division							
	Cotton		*Grain*		*Pecan*		*Peanut*	
	Total Assets	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*
1961-1962	$5,653,652	$1,783,080	$1,469,506	$1,455,014	$4,994,322	$ 940,167	$10,514,118	$ 6,322,758
1962-1963	4,301,800	1,970,670	1,846,965	1,234,825	2,162,120	975,398	10,498,290	6,580,105
1963-1964	5,667,257	2,101,557	1,884,453	1,277,128	7,975,862	995,533	11,187,855	6,983,516
1964-1965	5,876,568	2,066,134	1,830,335	1,406,689	7,863,740	828,928	13,329,631	9,200,945
1965-1966	6,100,000	2,335,102	2,297,344	1,503,399	5,693,490	1,028,250	17,523,584	10,669,596
1966-1967	6,035,772	2,360,652	2,342,251	1,562,872	4,225,665	1,549,150	18,912,919	13,076,319
1967-1968	8,432,203	2,416,296	2,590,991	2,009,417	5,480,324	1,606,108	24,086,574	14,774,592

Source: Data for this table were obtained from annual audits of the association prepared by professional auditing firms.

[a] At cost.

[b] In the fiscal year, 1967-1968, Gold Kist Soy Department, not yet operational, reported total assets of $6,205,089 and facility investment of $953,117 which is not shown in above table.

Table 8-1—*Continued*

	Marketing Division (Continued)		*Poultry Division*		*Purchasing Division*	
	Livestock					
	Total Assets	*Facility Investment*	*Total Assets*	*Facility Investment*	*Total Assets*	*Facility Investment*
1961-1962	$. . .	$. . .	$ 5,370,855	$ 4,441,155	$23,629,569	$ 6,980,908
1962-1963	. . .	. . .	5,942,515	4,658,341	24,721,447	7,458,079
1963-1964	. . .	. . .	5,445,706	4,639,290	29,048,288	8,887,634
1964-1965	. . .	. . .	6,475,676	5,215,869	33,926,052	9,925,282
1965-1966	824,415	118,303	8,873,809	5,749,707	37,668,971	11,193,574
1966-1967	727,299	133,580	18,884,967	10,246,119	31,639,985	9,755,640
1967-1968	925,842	154,954	21,205,816	12,712,304	39,444,406	12,049,950

in: two South Carolina locations; two Alabama locations; and four Georgia locations. Plans were underway at June 30, 1968, to open new farm centers at eight additional locations in these three states.[1] According to G. Allen Burson in a report to the membership at the 1968 annual meeting:

> Fifteen years ago, the CPA family consisted of forty retail outlets. Today, we have more than twice that many. We expect at least fifty more in the next five years. We hope that this means we can provide more and better facilities to get the job done. We have made much progress in the past few years, but there is still much to do.[2]

The farm-center concept was introduced during this period and a number of the retail stores opened were of this type. It represents the offering to patrons of a full line of services and products for the farm, including a tires, batteries, and accessories (TBA) center.

The total number of agencies in operation at June 30, 1968 was 117 of which 68 were affiliated agencies, 26 were direct agencies, 19 were private dealer-agents, and 4 were independent cooperatives.[3] Of these, 77 were located in

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[1] "Refunds Excellent, Facilities Added," *Dixie Co-Op News*, Vol. 19, No. 6 (December, 1968), p. 11.

[2] Taken from copy of report given by G. Allen Burson, Director of the Purchasing Division to delegates to the 1967-1968 annual meeting held in Atlanta, Georgia, November 25-26, 1968.

[3] Taken from the Approved Agency List dated June 30, 1968 prepared by the Purchasing Division.

Georgia, 24 in Alabama, 13 in Florida, 2 in South Carolina, and one in Tennessee. Appendix Table F-1 furnishes the details of location, type of relationship, and the name of the local manager for all agencies of record at June 30, 1968.

A second wholesale warehouse was opened early in this period at Cartersville, Georgia. From this warehouse, it was possible to serve retail store operations in North Georgia and North Alabama more efficiently and economically, thus reducing overhead expenses in operating the farm supplies portion of the purchasing division. The cost of transacting the farm supplies operations was reduced below two percent of sales volume and kept at that acceptable level during this period.[1]

Increased usage of the services and products available through CPA agencies by patrons was a goal sought throughout this entire period. Greater missionary sales work by local store managers and promotion programs in various forms were the means utilized to achieve this objective.[2]

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[1] Interview with C. W. Paris, December 20, 1968.

[2] Increased use of advertising to reach farmers was characteristic of this period according to Jean (Mrs. Edward) Rice, Director of Public Relations, in an interview of December 23, 1968. This included advertising placed in the *Dixie Co-Op News*, outdoor posters, and the sponsorship of a radio program, "Southern Farm Facts," aired over fifty stations in Alabama, Florida, and Georgia beginning in 1965. The services of an advertising agency, Tucker, Wayne and Company, Atlanta, Georgia, were also secured.

Plant food department

While plant food tonnage steadily moved up during the years 1962-1968 from 171 thousand tons to a record 295.9 thousand tons, these figures belie the important changes in facilities in plant food operations.[1] One such significant facility in plant food operations was the nitrogen plant at Tyner, Tennessee. This venture was the result of the formation of the Farmers Chemical Association, Inc. (FCAI), by CPA and three other cooperatives: Southern States Cooperative, Richmond, Virginia; Tennessee Farmers Co-Op, La Vergne, Tennessee; and Farmers Cooperative Exchange, Raleigh, North Carolina. In late 1961, this organization leased Volunteer Ordnance Works near Chattanooga, Tennessee (Tyner), and converted part of that government-owned facility into the production of ammonium nitrate, anhydrous ammonia, and nitrogen solutions.[2] D. W. Brooks, who was named chairman of FCAI, said that an initial investment of around $9 million was necessary to get the necessary construction completed and operations underway in 1963.[3]

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[1]Taken from reports to the membership on operations in the fiscal years of 1962 and 1968 for plant food. Obtained from C. W. Paris, Director of Purchasing-Poultry Division, 1962, and G. A. Burson, Director of the Purchasing Division, 1968.

[2]"Four Cooperatives Lease Volunteer Ordnance Works," *Dixie Co-Op News*, Vol. 12, No. 6 (January, 1962), p. 1.

[3]Interview with D. W. Brooks, February 14, 1969.

Results from this venture were not long in realization for in the 1963-1964 fiscal year, with a plant food tonnage increase of only 12 percent, net margin of the plant food department increased by 78 percent, from $540 thousand to $959 thousand. According to C. W. Paris:

> This [increase in net margin] can be attributed largely to savings from the new nitrogen plant at Tyner, Tennessee. The nitrogen venture demonstrates the value of becoming basic in raw materials, and I would like to emphasize that CPA is aware that it must become basic in its procurement of raw materials if it continues to be an effective tool for lowering farm production cost.[1]

Brooks expressed a similar opinion about the Tyner venture to members shortly after the operation was fully underway:

> One of the largest and best investments that CPA ever made was in the building of the nitrogen plant at Chattanooga, [Tyner] Tennessee. . . . This plant is now in full production and is doing a fantastic job. We not only completed the nitrogen plant, but we have now completed our urea plant, so that we have every kind of fertilizer containing nitrogen that our members need from this plant.[2]

This venture, according to Brooks, was just one more evidence of leadership by CPA in meeting the needs of farmers for high analysis plant food which enables cost savings in manufacture, transportation and in application. The best

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[1]"Paris Gives Purchasing-Poultry Highlights," *Dixie Co-Op News*, Vol. 15, No. 6 (December, 1964), p. 4.

[2]D. W. Brooks, "Green Charger Fertilizer," *Dixie Co-Op News*, Vol. 14, No. 7 (January, 1964), p. 3.

illustration of the progress in fertilizer by CPA, says Brooks, is that:

> . . . when CPA started its fertilizer and corn programs in Georgia, the average yield of corn was 10.5 bushels per acre. In 1963, the average yield was 43 bushels per acre. There was practically no difference in the labor cost on the 10.5 bushels per acre of corn and the 43 bushels per acre. The only difference was that our members who produced 43 bushels per acre obtained something for their labor.[1]

The FCAI complex experienced rapid growth and was soon in need of additional capacity. Sales volume increased over three times in the first two years of operations to a total of $13.8 million in the fiscal year ending June 30, 1965.[2] Product shipments in the following fiscal year by rail and truck exceeded 270 thousand tons of nitrogen materials.[3] These increases necessitated capital improvement programs of over $6 million which were completed in 1966.[4]

Less than one year after these programs were completed, D. W. Brooks announced that: "A 32 million dollar fertilizer complex will be constructed at Tunis, North Carolina by Farmers Chemical Association, Inc."[5] In commenting on

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[1] *Ibid.*, p. 3.

[2] "FCAI Announces Additional Expansion," *Dixie Co-Op News*, Vol. 16, No. 7 (January, 1966), p. 1.

[3] "$4 Million Improvement Program Underway at Nitrogen Facility," *Dixie Co-Op News*, Vol. 16, No. 12 (June, 1966), p. 8.

[4] *Ibid.*, p. 8.

[5] "FCAI Plans $32 Million Fertilizer Comples," *Dixie Co-Op News*, Vol. 18, No. 4 (October, 1967), p. 1.

the need for such an expansion program, Brooks said:

> Since its formation, the Tyner plant has been expanded by some 250 percent, and it still cannot fully satisfy the needs of farmer-members of the cooperatives. Thus, to provide additional needed fertilizer facilities, the new complex will be constructed in North Carolina.[1]

First production of the new facility located in Tunis, North Carolina was scheduled for the Fall of 1969. Facilities to be constructed included: an ammonia plant (daily capacity 600 tons); a nitric acid plant (daily capacity 500 tons); a nitrogen solutions plant (daily capacity 500 tons); an urea plant (daily capacity 500 tons); and a fertilizer plant with a daily capacity of 1,000 tons of prilled "Nitro-Phos" (mixed fertilizer). Ancillary facilities were also included.[2]

CPA is also one of twenty-two regional cooperatives owning Central Farmers Fertilizer Company. This organization, headquartered in Chicago, manufactures and distributes the basic chemical fertilizer ingredients, nitrogen, phosphate, and potash.[3] Representing another dependable source of high-quality fertilizer ingredients, it too was undergoing expansion during these years to better serve the needs of its cooperative owners.[4]

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[1]*Ibid.*, p. 1.

[2]*Ibid.*, p. 2.

[3]"Central Farmers Plans Major Expansions." *Dixie Co-Op News*, Vol. 18, No. 4 (October, 1967), p. 6.

[4]"New Potash Mines Under Construction," *Dixie Co-Op News*, Vol. 18, No. 10 (April, 1968), p. 8.

With the plant food industry undergoing rapid growth and with steadily expanding tonnages of plant food being distributed, as a consequence, by CPA, justification for an additional plant was not long in being obtained.[1] Moreover, according to Quentin S. Lee, manager of the plant food department, by 1967, it was felt that plant food distribution should be expanded into South Carolina.[2] Furthermore, the desire to utilize water transportation, if possible, led to a decision to locate the new plant at Clyo, Georgia. This location just across the state line from South Carolina and on the Savannah River allowed these objectives to be met. Additionally, water transport from the Tunis, North Carolina complex was possible. The $1.5 million facility begun in July, 1967, was in operation by February, 1968, with an annual capacity of 100,000 tons of plant food.[3] According to Lee: "This plant is one of the most modern fertilizer plants in the country today and it has the largest granulation plant tonnage capacity in this country today.[4]

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[1]Sales of plant food in Georgia alone reached 1.9 million tons in the 1966-1967 year, an increase in one year of over 240 thousand tons. The two leading states in the increase in plant nutrient in use during the period 1950-1966 were Florida and Georgia respectively. Source: Virgil E. Adams, "Good Job in Past; Bigger Job in Future," *Dixie Co-Op News*, Vol. 18, No. 8 (February, 1968), p. 4.

[2]Interview with Quentin S. Lee, December 21, 1968.

[3]"1500 Tour New Clyo Fertilizer Plant," *Dixie Co-Op News*, Vol. 18, No. 8 (February, 1968), p. 1.

[4]*Ibid.*, p. 1.

Brooks, on hand for the grand opening of that facility, explained: ". . . that if farmers will use the plant to the fullest extent possible, it will be a giant pumping station that will pump at least a half million dollars back to farmers each year."[1]

These developments and advancements returned benefits to the members of the association and indicate that the plant food department was a contributing factor to purchasing division growth and profitability in this period. Only one project, liquid fertilizer, was unsuccessful. CPA lost $500 thousand in that effort which was abandoned.[2]

Modern facilities, resulting in lowered operating costs and the manufacture of a high-quality, efficient product, were the major factors which, when combined with continued attempts to serve the farmer at a minimum cost, enabled a good record to be achieved. One such innovative marketing effort resulting in better utilization of facilities and better service to farmers was the program to increase the winter movement of fertilizer. A price break was offered to farmers who would accept delivery before the start of the Spring season. Nearly a third of total

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[1] *Ibid.*

[2] Taken from a speech delivered to managers of The Cotton Producers Association at the Mid-Year Agency Conference held January 5-6, 1967.

tonnage is now being moved in this manner, resulting in benefits to all concerned.[1]

Pesticides and animal health department

The volume of sales by this department reached a new high of over $2.5 million by June 30, 1968. The bulk of this growth in volume occurred between 1964-1965 and 1967-1968 during which time volume increased about five-fold.[2]

A major contributor to this growth was the opening of a new insecticide plant at Cordele, Georgia, May 5, 1965.[3] This plant provided a complete line of cotton, tobacco, and peanut insecticides, in both liquid and dust form. Capacity of the plant was 3,500 gallons of liquid and 20 tons of dust per eight-hour shift. This facility was the first liquid plant of its type in the United States. This plant represented a desire to produce quality insecticides and herbicides for the farmer at reasonable prices.[4]

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[1]Interview with Quentin S. Lee, December 21, 1968.

[2]Taken from financial records of The Cotton Producers Association.

[3]The following information on the insecticide plant taken from: "CPA Opens New Insecticide Plant," *Dixie Co-Op News*, Vol. 15, No. 11 (May, 1965), pp. 1 and 5.

[4]D. W. Brooks, "Let's Talk About Fertilizer, Seed, Herbicides, Insecticides, and Soybeans," *Dixie Co-Op News*, Vol. 18, No. 9 (March, 1968), p. 3.

Feed department

The feed department began this period by shipping its one millionth ton of feed (August, 1962).[1] Growth in feed volume had resulted in the decision to add a third mill, as was mentioned in the previous chapter, but the mill at Calhoun, Georgia, did not get into production until early 1964.[2] This modern, automated plant has an annual capacity of 100,000 tons of dairy, poultry, and livestock feed. With this mill in full operation, feed tonnage continued to increase to almost 600,000 tons by June 30, 1968. Of this total, about 100 thousand tons were sold through the purchasing division and almost 500 thousand tons used in the broiler growing programs.[3]

Poultry Division

Significant expansion took place in poultry-related facilities during the seven-year period ending June 30, 1968. The increase in poultry division volume, from $35.3 million in 1960-1961, to $114.1 million in 1967-1968, could scarcely have occurred were expanded facilities not available.[4]

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[1]Taken from records of the feed department of The Cotton Producers Association.

[2]"Two New CPA Facilities In Operation," *Dixie Co-Op News*, Vol. 14, No. 8 (February, 1964), p. 1.

[3]Interview with G. Allen Burson, December 19, 1968.

[4]Taken directly from financial records of the association.

One of the more exciting developments in poultry activities occurred near the end of the period with the establishment of a fully integrated poultry complex in the Live Oak, Florida (Suwannee County), area.[1] The facilities were completely operational in January, 1968.

The inception of this complex typified the CPA way in that farmers and agricultural leaders in this area of Florida had approached the management in early 1965 about the feasibility of poultry program. At that time only one-fourth of the broilers consumed in the State of Florida were grown there.[2] Moreover, practically no broilers were being grown in Suwannee County and surrounding counties. The main cash crop had been tobacco and the farmers had received greatly reduced allotments in 1964 and 1965. A need for something to supplement their incomes was necessary if many of them were to remain on the farm.

The Production Credit Association, very active in this area, was willing to finance the construction and equipping of broiler houses. Consequently, seeing need and interest, CPA decided to work with thirty farmers on a

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[1]The following discussion of the establishment of the Live Oak facility based on interviews with C. W. Paris, December 21, 1968, W. C. Pulliam and R. D. Mobley, December 20, 1968, and from: "Suwannee County Welcomes Gold Kist," *Dixie Co-Op News*, Vol. 18, No. 9 (March, 1968), p. 1-2.

[2]Taken from a speech delivered by Ralph D. Mobley to the American Institute of Cooperation meetings, August 7, 1968, at Blacksburg, Virginia.

broiler production program to evaluate production costs in Florida with those experienced in Georgia and Alabama. Twelve months of testing showed a favorable cost relationship and plans were formulated to construct a complex to include a hatchery, feed mill, processing plant, by-products rendering plant, and a feed and live poultry trucking operation. In the five-year program outlined, the initial facilities were designed to produce and market 250,000 broilers per week with expansion to 500,000 birds per week within the walls of the initial plant at the end of five years.[1]

The broiler production program was designed to place all birds for growing within a thirty-five mile-radius of the facilities. Proximity of growing birds to the processing plant is an important factor inasmuch as great hauling distance results in heavy bruising losses. Servicing of growers also dictated short hauling distances. As a disease security measure, one area was isolated for the placement of breeder flocks so that they would not be located in the same areas as broiler growers.

Since all the poultry houses were being constructed new, CPA was able to specify construction requirements to a degree seldom possible in previous programs. This enabled

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[1] In March, 1969, the manager of the Live Oak complex, Terry E. Linton, stated that output was running around 300,000 birds per week with the majority of that production being marketed in Florida.

numerous economies in equipment, methods of servicing the growers, and in the removal of broilers for processing. This portion of the program, as every other segment, was designed to maximize mechanical handling of poultry supplies and the poultry itself.

The benefits of being able, for the first time, to build a poultry complex in its entirety are too numerous to mention. A magazine of the broiler industry reports that: "The Florida broiler complex of the Gold Kist division of The Cotton Producers Association in Suwannee County, Live Oak, Florida, is one of the most up-to-date poultry operations in the Southeast."[1]

Plans were being made at June 30, 1968, to construct a new facility for the processing of 6,000 deep-chill birds per hour. These plans had resulted from experimentation with deep-chilling at other processing plants.[2]

Eight hatcheries were added during this period to the three already in operation, bringing the total to eleven on June 30, 1968.[3] Table 8-2 shows the location, starting

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[1]Charles L. Stratton, "CPA's Live Oak Plant Has Built-In Efficiency," *Poultry Meat*, March, 1969, p. 20.

[2]Deep-chilling is not the same as freezing of poultry. The birds are chilled down almost to the freezing point which process increases shelf life by about four days. Moreover, it overcomes the objection of some purchasers to frozen poultry.

[3]Taken from a letter dated April 18, 1969, from Ralph D. Mobley, Assistant Manager, Gold Kist Poultry Division.

Table 8-2

CPA Hatcheries in Operation on June 30, 1968

Location	*Starting Date*	*Present Capacity (chicks per week)*
Calhoun, Ga. #1	January, 1952	100,000
Cullman, Ala.	November, 1957	260,000
Canton, Ga.	August, 1959	135,000
Scottsboro, Ala.	January, 1962	270,000
Calhoun, Ga. #2	October, 1963	220,000
Talmo, Ga.	May, 1965	220,000
Carrollton, Ga.	February, 1966	175,000
Live Oak, Fla.	January, 1967	250,000
Commerce, Ga.	May, 1967	225,000
Durham, N.C.	July, 1967	200,000
Siler City, N.C.	July, 1967	175,000
Total per week		2,230,000

Source: Received by mail, April 18, 1969, from Ralph D. Mobley, Assistant Manager, Gold Kist Poultry Division.

date, and capacity of each of the hatcheries in operation at that date.

In October, 1966, the Cooperative Mills Broiler Research Farm, formerly located at Bridgeville, Delaware, began operations at Talmo, Georgia. This farm is part of the total research program of Cooperative Mills referred to in an earlier chapter. Each farm in that program is owned by the regional cooperative serving that area; therefore, this new facility came under the ownership of CPA. Financial support for the research programs comes from funds which are contributed by each of the cooperatives handling feed on a feed-tonnage basis.[1]

The twenty-one-acre complex consists of two broiler houses (one commercial and one experimental), a feed mill, an office building and two dwellings. The farm is adjacent to one of the CPA hatcheries. The products of this experimental facility, particularly feed conversion research, have aided CPA in its broiler programs numerous times.[2]

Effective January 1, 1965, the poultry division acquired the use of a number of facilities through a joint venture agreement with the Central Carolina Farmers Exchange, Inc. (CCF), Durham, North Carolina, for a

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[1]"Better Feed Conversion Goal at Talmo," *Dixie Co-Op News*, Vol. 17, No. 4 (October, 1966), p. 5.

[2]*Ibid.*, p. 5.

period of two and one-half years.[1] That agreement was subsequently extended for ten years from July 1, 1967. (A copy of the current agreement is contained in Appendix G.) The facilities of this North Carolina farmers' cooperative corporation included a processing plant and two hatcheries.

CCF, one of the first successful broiler cooperatives in the South, had, due to a succession of events, no one qualified to assume the overall management of the operation when the original manager wanted to retire from active management. CPA, with the management ability, and in a position to utilize the output of the broiler program of CCF and, at the same time penetrate new markets, saw this as an opportunity to serve the membership of both organizations to advantage. CPA, in return for the use of these facilities, agreed to purchase feed for the growing program from the mills of CCF at cost and while managing the grower contracts agreed to have them remain in the name of CCF. Thus far, the arrangement has been profitable for all concerned.

Rounding out the directly related facility expansion in poultry were increases in the freezing capacity of the Boaz processing plant and modernization of all processing facilities during the period. Furthermore, a further

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[1]The following information on the joint venture agreement with CCF obtained in an interview with C. W. Paris, March 20, 1969.

processing test operation was constructed at Canton, Georgia, to experiment with poultry products. Also, a section of the Athens, Georgia, plant was altered to enable a pilot program for frozen fried chicken. More will be said of these ventures in a later section of this chapter.

One other facility, the fish meal plant, significant for several reasons, needs to be discussed in connection with the poultry division, inasmuch as that division now has direct responsibility over its operations.[1] It also bears a direct relationship to the feed department as it was actually begun as a part of the purchasing division.

This operation, notable because it represents the first facility constructed by CPA outside of the United States, came about as a result of efforts to produce the highest quality poultry feed at reasonable cost. Fish meal is a basic poultry feed ingredient for which there seems to be no fully acceptable substitute. Because of the high cost and domestic scarcity of this product in 1965, CPA began to consider the possibilities of becoming basic in this commodity. Research seemed to indicate that if the association were to be assured of a reliable source

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[1]Information on the fish meal operations obtained from an interview with C. W. Paris, March 20, 1969, and from: "CPA Building Fish Meal Plant in Peru," *Dixie Co-Op News*, Vol. 17, No. 1 (July, 1966), pp. 1 and 3.

of fish meal at a reasonable cost, ownership of its own facilities might be the most profitable course of action.

Investigation of existing plants in Peru, South America, which is the source of about 70 percent of all fish meal, failed to disclose any which were available and suitable. A group of businessmen were located who possessed a government permit for a fish meal plant, but had never exercised the permit and negotiations were completed for the purchase of the permit. This accomplished, a site was selected and construction was begun at Tambo de Mora, about 120 miles south of Lima, Peru. The 32,000-ton-capacity plant was completed in time for the 1966-1967 fishing season which extends from October to April of each year. CPA also purchased fishing boats and at June 30, 1968, had a total of ten boats in operation. The total investment in the project approximated $3 million to be amortized over a five-year period.

The Peruvian activity, incorporated in Peru as The Cotton Producers Association, S.A., is a wholly owned subsidiary of The Cotton Producers Association. In view of the recent political unrest in Peru, Paris feels that their being incorporated under Peruvian laws might be advantageous should the posture toward North American business interests change. Moreover, all of the employees, with the exception of the manager, are nationals.

Virtually all output of the plant is utilized by the CPA feed mills. Even though the price of fish meal has receded from its historic high of around $200 per ton, CPA is still able to operate at a considerable savings particularly in view of the relative assurance of a continuing supply of the product.

Marketing Division

This division, in a similar manner to the others already discussed, advanced considerably its total facility operation and investment. In so doing, the marketing services were made available to broader geographic areas and, due to a larger scale of operations, all members of the association were in a better position with respect to the marketing of commodities.

Gold Kist pecans and peanuts

The largest dollar increase in facilities in operation by June 30, 1968, within the marketing division, occurred in the pecan and peanut department. Facility investment (See Table 8-1 for full details) had increased, during the seven-year period ending in 1968, by over $9 million, almost all of which had occurred in peanut facilities obtained largely through acquisition.

The first of these acquisitions came at the beginning of the fiscal year 1964-1965, when the Durham Peanut Company, Inc., Comanche, Texas, along with

Choice Products Company, Aubrey, Texas, were purchased.[1] This purchase, added to the ten peanut shelling plants already in operation, provided additional processing capacity to the peanut services offered by CPA, particularly improving the ability of the association to serve growers in Texas and parts of Oklahoma. Principally due to facilities acquired in this transaction, total peanut facility investment moved up from $6.9 million to $9.2 million in 1964-1965.

In fiscal year 1966-1967, the Durant Peanut Company, Durant, Oklahoma, was acquired. In addition to a peanut shelling plant, an oil mill was obtained bringing the total number of oil mills to three, the others being located at Graceville, Florida, and Moultrie, Georgia.

Rounding out the major facility improvements for peanut marketing was the construction of a modern peanut shelling plant to replace the older facility at Ashburn, Georgia. This complex, in operation for the 1967 crop, greatly improved peanut handling capacity in the area and enabled much lower processing costs.

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[1] Information on peanut facility acquisition obtained from interviews with D. W. Sands, December 23, 1968, W. W. Gaston, December 23, 1968, and from the following articles in the company newspaper: "Farmers Urged to Deliver Peanuts to Gold Kist Plants," *Dixie Co-Op News*, Vol. 15, No. 1 (July, 1964), p. 1, "Gold Kist Acquires Large Texas Peanut Plant," *Dixie Co-Op News*, Vol. 15, No. 3 (September, 1964), p. 1, and "Contract Let on Gold Kist Peanut Plant," *Dixie Co-Op News*, Vol. 17, No. 9 (March, 1967), p. 1.

Efforts of the organization in peanut marketing have provided an interesting example of the benefits of cooperative activity by farmers. Following World War II, the tremendous volume of peanuts which had been sold in that period considerably decreased. Numerous shelling plants, constructed to take the volume handled during those years, found even break-even operations difficult with shelling margins greatly depressed due to over-capacity. Consequently, many of them were offered for sale. According to Brooks: ". . . I think almost every shelling plant from Virginia through Texas is for sale, and most of them are for sale at reasonable prices."[1]

The financial situation of many of these plants over a period of years deteriorated to such a point that sources of financing disappeared. It was then that CPA decided to move into the peanut market in order to protect growers.[2] The continuing growth of peanut facilities has been based on this concern for growers. Operations of the peanut plants presented numerous problems, but through an overall program for improving producing and marketing practices, a number of new techniques and innovations have enabled CPA to make a notable contribution to its members and to the industry.

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[1]D. W. Brooks, "Peanuts," Vol. 15, No. 11 (May, 1965), p. 3.

[2]*Ibid.*, p. 3.

At the same time, Brooks reports that CPA has been unable to finance the number of efficient facilities, properly located, needed by peanut farmers.[1] A partial solution offered by Brooks to this problem is to have the farmers finance shelling operations locally much in the same manner that cotton warehousing and purchasing services were made available. CPA, according to Brooks, stands ready to furnish its services to any such endeavor which is economically sound and feasible.[2] This approach would also serve to reduce the totally untrue criticism that has been occasionally voiced by some members of the peanut shelling industry that CPA would like to monopolize the industry and, ". . . run the price of peanuts out the roof."[3]

As Brooks says of this:

> We have fully recognized from the day we started that CPA was not a smart organization and we never pretended to be smart; but, I don't think we are that stupid. The history of every cooperative that has tried to take over an industry and run the price out the roof has been one of failure and bankruptcy. Certainly, the management and Board of Directors of CPA understand this and fully understand history. Farmer cooperatives went through this phase at one time and without exception they went broke.
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> . . . .
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> The farmers who really succeeded in building efficient, economic, and profitable cooperatives realized

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[1] Interview with D. W. Brooks, March 24, 1969.

[2] *Ibid.*

[3] D. W. Brooks, "Pecans and Peanuts," *Dixie Co-Op News*, Vol. 16, No. 1 (July, 1965), p. 3.

> that you could not do it that way. You did it by helping promote the industry, by increasing consumption and working with the people who could sell the product. They knew that if they produced a product you had to sell it, and the cooperatives that did the best job of selling were the ones that made the most money for the members in the end.
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> It is for this reason that CPA has spent so much time, effort, and money on research to develop new products, new methods of packaging, new methods of promotion and distribution, and also through sales offices throughout the world. We realized that if we were going to make money for our members we had to do everything possible to help all of our distributors sell the product.[1]

Expansion of facilities for pecan marketing included a joint venture shelling plant placed in operation in December, 1963, and pecan cleaning plants at Albany, Georgia, and Fair Hope, Alabama.

The pecan shelling plant located at Canton, Mississippi, is a joint venture of the Mississippi Federated Cooperatives and The Cotton Producers Association, which operates under the organization name, Gold Kist Pecans (AAL).[2] Modern facilities for cleaning, grading, sizing, shelling, and storing pecans were included in the plant which was constructed under the supervision of the engineering department of CPA. According to O. W. Thompson, Director at that time of Gold Kist Pecan Growers:

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[1] *Ibid.*, p. 3.

[2] "New Gold Kist Pecan Plant Opens," *Dixie Co-Op News*, Vol. 14, No. 7 (January, 1964), pp. 1 and 4.

> The plant in Mississippi means further expansion . . . in order to render greater and more efficient service to pecan growers in the central part of the belt. Many times pecans have been shipped from Mississippi to our plant at Waycross for processing and then back across Mississippi to consumers.[1]

Thompson concludes by saying that due to continued growth of pecan marketing activities, the Waycross plant was no longer able to process the increased tonnage.[2]

The cleaning plants which were opened during this period were the result of technological change occurring in the harvesting of pecans. As mechanical harvesters became more widely used, the necessity for cleaning pecans increased. Commenting on this at the time of the opening of the first plant at Albany, Georgia, in 1967, Robert E. Moriarity, then Gold Kist Pecan Procurement Manager, said:

> All harvesters pick up an amazing amount of foreign material which must be economically removed if the grower is to receive top dollar for the actual weight of the pecans. We are confident many growers will find it more convenient and more economical to let Gold Kist clean their mechanically harvested pecans than to attempt to do the job on their own place. When everything (investment, upkeep, labor, convenience, dependability, *etc.*) is fully considered, the time and money invested by a grower runs pretty high.[3]

Continual improvements in the remaining existing pecan facilities took place during this period and on

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[1]"CPA, MFC Plan New Gold Kist Pecan Plant," *Dixie Co-Op News*, Vol. 14, No. 1 (July, 1963), p. 1.

[2]*Ibid.*, p. 1.

[3]"Albany Pecan Cleaning Plant Open to All Growers," *Dixie Co-Op News*, Vol. 18, No. 3 (September, 1967), p. 4.

June 30, 1968, investment in pecan facilities, at cost, was slightly over $1.6 million. The significant difference in total investment in facilities for pecans and those for peanuts is only partly explained by the differences in volume of the two commodities handled by CPA. The receiving of peanuts is inherently a more expensive process because of the necessity for more extensive facilities.[1]

Cotton department

As had been true for some time, no significant expansion in fixed assets of the cotton department occurred in this period. A proposed merger with the Texas Cotton Growers Cooperative Association (TCGCA) at the start of the fiscal year, 1965-1966, did not materialize, but out of the negotiations, CPA did agree to accept a five-year contract in 1966 to manage the cotton marketing operations of that Texas cooperative.[2] TCGCA, organized in 1940, with an active membership of about eight thousand growers, had served as a marketing organization solely and, therefore, owned no physical properties.[3] The general manager

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[1] Interview with W. W. Gaston, December 23, 1968.

[2] "Texas Cotton Growers Merger Not Effective," *Dixie Co-Op News*, Vol. 16, No. 2 (August, 1965), p. 1.

[3] "Texas Cotton Growers Cooperative Merges with The Cotton Producers Association," *Dixie Co-Op News*, Vol. 16, No. 1 (July, 1965), pp. 1 and 6.

of that organization, reaching retirement age, had sought to obtain an agreement to provide continuing services for the membership, as well as to obtain the physical facilities within CPA to improve upon the job being done for members. At the same time, the additional volume could be easily accommodated by CPA cotton operations.

Also in 1966, for similar reasons, a management agreement was signed with Mid-South Cotton Growers, Memphis, Tennessee. Here, again, this cooperative had been engaged only in marketing activities and no physical facilities were involved in the agreement.[1] In the case of each of these cooperatives they had been essentially operating a loan business; that is, placing member cotton into the government loan.[2]

Grain department

The construction of a soybean facility was the major program begun during this period by the grain department and, as already mentioned, this project was incomplete at June 30, 1968. A reassessment of all grain marketing facilities was underway toward the end of this period in an effort to produce a more efficient, integrated operation with a view toward the inception of soybean processing at Valdosta since similar facilities can be

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[1] Interview with P. L. Brauner, February 13, 1969.

[2] *Ibid.*

utilized for grain and soybeans.[1] Out of this reappraisal some new receiving stations were planned, others were renovated, and some were abandoned in an effort to provide adequate facilities for members and to improve the conditions under which the grain was handled.[2] As a result of these efforts and diversification of activities over a wider geographic area, investment in grain facilities moved up from $1.75 million to $2.4 million in the seven-year period ending June 30, 1968 (see Table 8-1).

Livestock department

After several years of research into the production of beef and the outlook for such production in the Southeast, CPA decided to set up a pilot cooperative feed lot operation.[3] In addition to favorable climate, shipping rates, etc., Georgia and Florida, among other Southeastern states, are deficit beef-producing areas.[4] According to

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[1]Interview with Thomas F. Toohey, Manager, Grain Department, March 20, 1969.

[2]*Ibid.*

[3]"Pilot Cooperative Feed Lot Announced for South Georgia-North Florida," *Dixie Co-Op News*, Vol. 15, No. 10, p. 1.

[4]This analysis by CPA revealed that in 1964 Georgia was producing about 200 thousand tons of beef annually while consumption was almost twice that amount. Florida, producing a similar amount of beef, was consuming about

W. W. Gaston, writing to members in April, 1965, just prior to feed lot operations getting underway:

> Most farmers in the area now lack the necessary feed and facilities to finish out their cattle, and they are selling their feeder calves rather than finishing them out. The pilot feed lot operation at Valdosta [Georgia] is designed to extend the marketing for beef calf producers to the feed lot operation.
> Here is the way we are planning to operate the cooperative feed lot. We will obtain steers (approximately 500 to 600 pounds) from the farmers in the area and feed them out in approximately six months on a feed formula developed by the research division of Cooperative Mills in cooperation with the CPA Feed Department. The grain will come from the grain delivered to the CPA Grain Division at Valdosta.[1]

The lot which was located on a 160 acre tract has thirty-two pens, each constructed for 100 head of cattle, and designed to feed out about 6 thousand head of cattle annually on a 180-day feeding program. It is hoped that the length of the feeding period can be reduced as a part of this experimental program.[2] The initial facility investment in this completely mechanized operation, as shown in Table 8-1, was just over $100 thousand and by June 30, 1968, had been increased to $155 thousand.

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267 thousand tons. The deficit in Georgia and Florida in beef production exceeded 165 thousand tons.

A study among beef producers in the area revealed that less than 15 percent were finishing any steers on their farms, but they were highly interested in a cooperative feed lot.

[1]"Pilot Cooperative Feed Lot Announced for South Georgia-North Florida," p. 1.

[2]"Directors Tour Valdosta Feed Lot," *Dixie Co-Op News*, Vol. 17, No. 1 (July, 1966), pp. 1 and 10.

The feed lot, while operating at a loss during two of the first three years, has given management the opportunity to better understand the problems associated with beef marketing activities. Pilot operations will be continued for an indefinite period of time with management periodically reviewing its status.[1]

Administrative Services

Expansion of the central office building in Atlanta in 1966 by adding two additional stories rounds out the facility expansion activities of CPA during the period 1962-1968. Yet, by 1968, these expanded facilities were being overburdened and further plans were being made to provide needed space for administrative activities.

Research Activities

During this period varied research efforts, such as the feed lot operation just described, were undertaken. Research activities were placed on a more formalized basis with the creation of a corporate research department in the latter part of the period. This group, which will conduct or coordinate research activities for all the divisions, provides economic research services, marketing

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[1]Interview with W. W. Gaston, December 23, 1968.

research activities, and technical product research. With the organization moving ever closer to the consumer with further processing of commodities, this unit should serve as a center of information for all aspects of operation. Moreover, research oriented toward the farmer-member can be more efficiently and effectively accomplished if co-ordinated by one research unit.

Joseph H. Marshall, now Director of this new research department, after receiving his Ph.D. in marketing, managerial economics, and food science from Cornell University, came into the poultry division in 1963 and worked on the development of further processed poultry products such as a chicken roll, chicken steaks, and cooked boned chicken for both the institutional and consumer market. One such product which has been undergoing market testing is frozen fried chicken which is being produced in a pilot processing operation at the Athens, Georgia, poultry plant.[1] In June, 1968, plans were being considered for the construction of a research and testing facility so that research activities on consumer products might be further expanded.

Important peanut research was accomplished during this period with the development of a treatment, in 1963, for seed peanuts, called GKP 1000, which controls all of

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[1]Interview with Joseph H. Marshall, Director of Research, March 24, 1969.

the major fungi, seed or soil borne, that affect peanuts. Up to this time the commonly used treatments controlled a maximum of three of these fungi.[1] Additionally, GKP 1000 contains growth stimulators which overcome the problems of low germination and vitality.[2]

"Gold Kist is the only peanut processor in the United States conducting peanut breeding research.[3] The program was started in 1964 when William A. Carver, Agronomist Emeritus, University of Florida Agricultural Experiment Stations, joined the peanut division as Director of Seed Research. Carver, responsible for the breeding and development of the peanut varieties, Dixie Runner, Early Runner, and Florigiant, established a comprehensive research program which, since he stepped down from day-to-day management in 1967, has been directed by J. E. Harvey.[4]

Other examples of research activity have already been mentioned in poultry, pecans, plant food, grain and soybeans, and feed operations. One of the strong factors in the emergence of CPA as one of the top five farmer

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[1]H. E. Anderson, "Announcing GKP for Peanuts," *Dixie Co-Op News*, Vol. 13, No. 9 (March, 1963), p. 2.

[2]*Ibid.*, p. 2.

[3]"Research on New Peanut Varieties Promising," *Dixie Co-Op News*, Vol. 18, No. 7 (January, 1968), p. 1.

[4]*Ibid.*, pp. 1 and 4.

cooperatives in the United States has been its research orientation.[1] The attempt to coordinate research activities at the staff level should enable even greater benefits from research due to the opportunity to make all data generated by research activities of the various divisions readily accessible when research projects are contemplated.[2]

Financing Expansion and Research

Naturally, with the scope of facility expansion and research activities as have been outlined as occurring in this period, along with normal heavy working capital requirements, CPA has faced the problem of financing its activities. While the bulk of borrowed capital continues to come from the Columbia Bank for Cooperatives, with all long-term borrowing from that source, CPA, attempting to maintain a balanced capital structure, continued to sell Preferred Capital Certificates, currently paying 5 3/4 percent

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[1]The five largest cooperatives in 1968, ranked by volume were: Agway, Inc., Syracuse, New York; Land O'Lakes Creameries, Minneapolis, Minnesota; Farmland Industries, Inc., Kansas City, Missouri; The Cotton Producers Association; and Farmers Union Central Exchange, South St. Paul, Minnesota. Source: *Fortune*, May 15, 1969, p. 178.

[2]One of the several problems encountered in compiling a business history of the organization was the absence of a centralized data source. Marshall has, in an attempt to correct this problem, established a library as a repository for management information on a company and industry level. In this way, it is hoped that valuable classified information as well as fugitive data may be made available to management personnel.

interest, to supplement retained margins.[1] (Table 8-3 shows the status of loans on March 20, 1968.) Sale of these certificates has been running about $2 million in excess of certificates being cashed thus providing a good source of working capital.[2]

On June 30, 1968, of total notes payable, $54,956,360, over 75 percent, $41,626,000, was owed to the Columbia Bank for Cooperatives. (Table 8-4 summarizes balance sheet information on June 30, 1968.) This compares favorably with the experience of other regional cooperatives in utilizing banks for cooperatives for the major portion of financing needs.[3]

Current assets of CPA on June 30, 1968, almost 60 percent of total assets, gives it a ranking above other regional cooperatives of similar membership composition. Current liabilities shown by CPA at about 37 percent of total assets, is considerably above the 28 percent reported

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[1]Interview with Roger E. Hill, Vice President, Finance, December 18, 1968.

[2]*Ibid.*

[3]In a report on the financial structure of regional cooperatives, those of the diversified mixed-membership type (both individual farmers and associations as members), as is CPA, reported an average of 69 percent of total borrowed capital obtained through banks for cooperatives. While study data are for fiscal year 1962, they should still be useful for comparative purposes. Source: Nelda Griffin, *Financial Structure of Regional Farmer Cooperatives*, Farmer Cooperative Service, U. S. Department of Agriculture, (April, 1966), p. 35.

Table 8-3

Status of Loans Outstanding[a] by Types and by Divisions of The Cotton Producers Association on March 20, 1968

(in millions of dollars)

By Loan Type		*By Division*	
Commodity	$18.4	Marketing	$18.9
Seasonal Operating	6.8	Purchasing	23.6
Term Operating	24.5	Administrative	10.0
Facility (long term)	2.9		
Total[b]	$52.5		$52.5

Source: Letter to the Columbia Bank for Cooperatives dated March 20, 1969, from Roger E. Hill, Vice President, Finance.

[a]Includes both short-term and long-term notes payable.

[b]Does not total due to rounding of entries.

Table 8-4

Condensed Balance Sheet of The Cotton Producers Association at June 30, 1968

(cents omitted)

ASSETS		LIABILITIES AND PATRONS' EQUITY	
Current Assets	$ 60,943,486	Current Liabilities	$ 44,153,109
Fixed Assets[a]	31,015,777	Long Term Indebtedness	21,098,577
Investments and Other Assets	26,255,264	Patrons' and Other Equity	52,962,841
Total Assets	$118,214,527	Total Liabilities & Patrons' & Other Equity	$118,214,527

Source: Taken from company records through the offices of John J. Moseley, Jr., Comptroller.

[a] Shown net after reserve for depreciation of $19,391,105.

by cooperatives of a similar type. This was further reflected in the working capital ratio of not quite 1.40 to 1 for CPA as compared to 1.85 to 1 for other regional cooperatives. Moreover, CPA had higher long term debt as a percentage of total assets than other similar cooperatives and, consequently, a lower percentage of total assets represented by net worth.[1]

It should be remarked, however, that comparison of CPA with other cooperatives in the Columbia, South Carolina Farm Credit District reveals much more closely aligned results. The Columbia Farm Credit District including the states of North and South Carolina, Georgia and Florida, had the lowest net worth as a percentage of total assets (45.9 percent) of any of the twelve districts.[2] These results underscore the problems associated with successful operation of cooperatives, particularly in maintaining a balanced capital structure, in the region in which CPA transacts its major volume of business. It would seem to point up equally well the nature of the job undertaken by the management of CPA and make the accomplishments even more dramatic.

A summary of volume, savings, and net worth of the association for the years 1937-1968 is presented in Table 8-5.

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[1] *Ibid.*, p. 13.

[2] *Ibid.*, p. 13.

Table 8-5

Sales Volume, Net Margins, and Net Worth of The Cotton Producers Association in the Years 1937 to 1968

(cents omitted)

Fiscal Year Ending June 30	*Volume*	*Net Margin*	*Net Worth*
1937	$ 8,306,967	$ 416	$ 416
1938	4,474,445	1,503	1,919
1939	2,317,356	4,600	6,519
1940	1,789,640	3,383	9,903
1941	2,413,229	111,085	139,211
1942	5,225,665	114,225	245,364
1943	13,631,799	70,522	286,845
1944	10,017,009	190,908	456,512
1945	11,253,724	141,302	575,317
1946	18,477,500	499,096	1,183,833
1947	23,066,550	9,575	1,203,094
1948	24,944,047	309,262	1,486,434
1949	62,435,085	811,355	2,257,953
1950	35,710,189	331,019	2,704,041
1951	42,480,468	1,323,527	4,585,456
1952	53,554,244	785,487	5,063,358
1953	51,174,181	394,882	5,838,779
1954	88,700,585	934,324	6,809,553
1955	58,748,647	95,333	6,704,350
1956	71,421,311	1,323,013	7,986,062
1957	92,914,909	1,995,291	15,094,446
1958	107,993,852	2,427,289	16,262,296
1959	140,105,133	1,485,087	19,122,229
1960	131,026,848	3,017,847	21,357,642
1961	141,506,180	3,533,664	24,068,765
1962	139,370,965	3,165,166	26,404,153
1963	142,842,987	4,019,236	29,952,162
1964	158,892,883	3,733,004	32,802,112
1965	193,585,311	4,344,750	37,606,268
1966	223,924,605	6,175,432	43,455,007
1967	245,313,064	3,713,000	46,264,532
1968	269,872,386	7,852,460	52,962,841

Source: Taken from financial records of The Cotton Producers Association.

Almost uninterrupted growth in volume is seen with net margins earned in every year. Net worth has steadily expanded through the retention of a portion of earnings and through the sale of capital certificates.

Refunds to Patrons[1]

Net margins of the association are determined by deducting from gross receipts all advances, cost of goods purchased, and all operating expenses. Such net margins or excess proceeds from operations are at all times the property of the patrons and are to be refunded annually on a patronage basis, in cash or in other forms provided for in the bylaws. The refunds are determined separately by division and patronage may be measured by dollar volume or by units, as is determined appropriate. The actual payment of the cash portion of the refund, however, has been consolidated into one check since 1965.[2]

Under the terms of the bylaws, in the period from July 1, 1952 to July 1, 1963, the association was obligated to make patronage refunds in cash, in revolving fund

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[1]Details of the provisions for patrons' equities are given in Article XVIII, of the Bylaws of The Cotton Producers Association, a copy of which is contained in Appendix C. Unless otherwise noted, discussion in this section is based on this source.

[2]Interview with P. Charles (Chuck) Smith, manager of the computer facility, CPA, March 25, 1969.

certificates, allocated reserves, or in deferred patronage refunds.[1] From July 1, 1963, onward, the association, as a result of modifications in the income tax treatment of cooperatives under the Revenue Act of 1962, has been obligated to pay within eight and one-half months after the fiscal year-end at least 20 percent of the net margin for that year in cash.[2]

It has been the established policy of CPA since July 1, 1963, to refund each years net margin: 20 percent in cash; 40 percent in interest bearing certificates; and the remainder retained in the form of allocated reserves. Of the 40 percent in certificates, all or part of them may be cashed at any time with management, of course,

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[1]These alternative means of refunding net margins are fully explained in the bylaws, but may be briefly defined as follows:

> revolving fund certificates provide a means whereby the current members of the association finance its activities by receiving these certificates in lieu of a cash payment. As the Board of Directors decides that such certificates may be retired, they are refunded beginning with the oldest outstanding revolving fund certificates; allocated reserves are, as the name implies, the allocation of net margins to the account of the patron and are to be retired in the same manner as revolving fund certificates; deferred patronage refunds refers to the deferring of refunds of net margins as is deemed necessary by the Board of Directors in order to provide adequate capital or to protect against future losses.

[2]26 U. S. C. 1388.

Table 8-6

Distribution of Patronage Refunds for the Fiscal Years, 1965-1968

	June 30, 1968	*June 30, 1967*	*June 30, 1966*	*June 30, 1965*
Cash	$1,555,977	$ 746,066	$1,233,432	$ 865,391
Certificates	2,987,322	1,492,133	2,466,864	1,730,782
Reserves	2,987,322	1,492,133	2,466,864	1,730,782
	$7,530,621	$3,730,332	$6,167,160	$4,326,956

Source: Taken from financial records of The Cotton Producers Association through the offices of Roger E. Hill, Vice President of Finance.

continually trying to educate the membership to the benefits to all concerned in holding them.[1]

Throughout the entire history of the association an overall net operating loss has never been suffered and cash patronage refunds have been paid in virtually every year prior to the requirement that a portion of refunds be in cash. Table 8-6 shows recent patronage refund distribution history. The rates of refund through the various divisions for 1967-1968 operations were: $4.50 per ton of farmer stock peanuts; additional payment of $2 per bale on pool cotton; and in poultry, broiler production and marketing refunds were .4987 per CWT, live weight and broiler marketing only refunds were .5341 per CWT, live weight. The purchasing division refunds a percentage of purchase volume at different rates to affiliated agencies than to direct agencies due to the different membership arrangements involved. The rates for the Purchasing Division for the fiscal year 1967-1968 are shown in Table 8-7.

The refund program allows CPA some flexibility in retention of a good portion of the net margin in the event that such a course of action seems advisable. This would provide working capital or other short-term funds when the

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[1]On March 26, 1969, Roger E. Hill said that refunding can be limited to 20 percent of the certificates held by a member in each year.

Table 8-7

Patronage Refund Rates by the Purchasing Division for the Fiscal Year Ended June 30, 1968 (in percentages)

Commodity	*Affiliated Agencies*	*Direct Agencies*
Feed	9	6
Plant Food	14	10
All Other	7	4

Source: Obtained from financial records of The Cotton Producers Association.

need arises and gives an added measure of strength to the financial position of the association.

Marketing Efforts

Domestic Marketing Activities

Throughout this period, all of the divisions of CPA, engaged in the marketing of commodities or of processed products, sought to expand the coverage of CPA products within the United States.

The efforts of each division indicate that much greater attention was being paid to this aspect of operations. In commodity marketing, pooling operations were highly promoted to the farmer members.[1] This committing of products

[1]Interview with W. W. Gaston, February 13, 1969.

to the association allows management to utilize its expertise and experience in marketing these commodities. Members utilizing the various pools offered through CPA have usually gained income. The pool represents a first step toward further vertical integration. Each of the divisions have pursued, in this period, a policy of vertical integration in order to give the farmer greater control over processing and distribution, as well as production.[1]

CPA management recognizing that contract farming is rapidly arriving, and wanting to insure that farmers retain control over management of their farming operations, is supporting the use of marketing orders and agreements as well as considering a formal contractual relationship with members.

Exploratory informal discussions have been held with the management of other regional cooperatives over the feasibility, and other aspects, of cooperatively marketing either wider lines of products or new products.[2] Such activity tends to indicate that CPA is turning more and more to a market-oriented philosophy.

Total sales volume of CPA showed considerable growth with, by far the most outstanding example, the expansion of

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[1]Interview with D. W. Brooks, February 14, 1969.

[2]Interview with C. W. Paris, March 23, 1969.

sales in the poultry division from $35.3 million in 1960-1961 to just over $114 million for 1967-1968.[1] Moreover, in the latter year the poultry operation, for the second time in five years, challenged the purchasing division in terms of contribution to net margin. (See Table 8-8 for details on volume and net margins by divisions.) Purchasing operations continued, however, to be the most constant, as well as the major, source of net margin throughout the period.

Volume of the various marketing departments, except cotton, showed good growth. Net margin contribution was less positive with net losses sustained by all of the marketing operations in at least one year. The inherent problems of marketing agricultural commodities, such as poor quality product and oversupply, caused these losses. The greatest dollar loss occurred in pecan marketing where in each of the years, 1965-1966, and, 1966-1967, losses of over $1.5 million were shown. One of the most successful marketing activities was peanuts where losses, for the most part, occurring between 1959 and 1963, were turned around and profitable operations prevailed for the remainder of the period.

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[1]During the 1967-1968 fiscal year, the number of broilers marketed weekly ranged from a low of 1.4 million to a high of 2.9 million with over 2 million birds marketed in 36 of the 52 weeks. The number of baby chicks placed with growers weekly followed a similar pattern. About 5 percent fewer birds were marketed than chicks placed due to house mortality and condemnation at the processing plant.

Table 8-8

Volume of Business and Net Margin[a] by Divisions of The Cotton Producers Association 1961-1962 through 1967-1968
(cents omitted)

	Marketing Division							
	Cotton		*Grain*		*Pecan*		*Peanut*	
	Sales Volume	*Net Margin*	*Sales Volume*	*Net Margin*	*Sales Volume*	*Net Margin*	*Sales Volume*	*Net Margin*
1961-1962	$18,143,370	$ 220,349	$ 4,388,793	($ 30,751)	$4,630,154	($ 363,351)	$34,312,541	$ 125,377
1962-1963	19,540,635	182,926	3,865,867	894	2,999,314	676,396	31,563,105	(964,910)
1963-1964	13,668,058	129,340	6,221,061	87,234	8,942,817	410,858	39,518,105	955,318
1964-1965	17,516,980	(156,745)	11,148,030	8,109	5,283,985	1,496,429	52,260,451	2,267,339
1965-1966	14,422,526	29,235	12,339,412	22,781	7,706,329	(1,813,952)	53,227,809	1,469,299
1966-1967	13,033,685	(113,878)	15,594,253	(81,101)	7,922,578	647,198	62,048,281	1,864,665
1967-1968	17,060,620	205,937	16,557,573	(171,390)	7,431,571	141,342	67,844,473	1,597,712

Source: Data for this table were obtained from annual audits of the association prepared by professional auditing firms.

[a]Figures shown in parentheses indicate a net operating loss.

Table 8-8—*Continued*

	Marketing Division (Continued)		*Poultry Division*		*Purchasing Division*	
	Livestock Sales Volume	*Livestock Net Margin*	*Sales Volume*	*Net Margin*	*Patrons Purchases*	*Net Margin*
1961-1962	$. . .	$ . . .	$ 36,753,761	$ 839,167	$41,142,346	$2,374,375
1962-1963	. . .	. . .	39,038,561	906,814	45,835,505	3,217,116
1963-1964	. . .	. . .	38,994,940	1,067,742	51,547,902	1,082,512
1964-1965	. . .	. . .	49,089,355	685,318	58,286,510	3,037,158
1965-1966	881,064	15,657	62,297,739	710,617	73,049,726	5,741,795
1966-1967	1,759,083	(193,130)	113,781,861	(732,988)	31,173,323	3,176,541
1967-1968	2,262,006	(30,817)	114,082,208	2,882,568	32,272,133	3,148,169

Export Activity

Increasing exports of various products handled by CPA accounted for a portion of the increased volume during the period with some commodities being exported for the first time during this period. Facilitating this expansion in foreign markets was the establishment in 1965 of the first full time sales office in Europe. The CPA/Gold Kist sales office in Brussels, Belgium, was opened to improve the export movement of poultry, cotton, grain, pecans, and peanuts. Although CPA has had sales agents throughout the world, this effort, under the management of B. Willem Winkel, formerly Marketing Director for Europe, Institute of American Poultry Industries, represented the first direct CPA employee venture in overseas activities.[1]

The opening of this sales office followed very shortly after the first exporting of peanuts to Europe in the 1963-1964 year. Up until the time that these 30 million pounds were shipped, no exports of peanuts, other than to Canada, had been made by CPA. Sales made in England, France, Holland, Germany, Norway, and New Zealand supported studies within the peanut industry indicating a growth market in Europe.[2] In 1966, the National Peanut Council entered into

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[1] "Gold Kist International," *Dixie Co-Op News*, Vol. 16, No. 6 (December, 1965) p. 12.

[2] "Gold Kist Peanuts Move to Europe for First Time," *Dixie Co-Op News*, Vol. 15, No. 6 (December, 1964), pp. 1 and 7.

a program of peanut promotion in foreign markets. Don W. Sands, at that time Director of Gold Kist Peanut Growers, was Chairman of the Export Committee for the Council. H. E. Anderson, Gold Kist Peanut Growers, was also a member of the Executive Committee and Board of Directors of the National Peanut Council.[1]

The exporting of peanuts meant that CPA was now exporting all of its principal commodities and the job of market development followed this initial penetration. During the remainder of the period a portion of management effort was directed toward that goal.

In poultry, expansion of export sales continued at a rapid rate. While about 2 percent of all poultry grown in the United States goes into the export market, approximately 20 percent of CPA/Gold Kist poultry moves to export markets.[2] Out of approximately 65 million pounds of frozen poultry marketed by the association in 1967-1968, approximately 60 percent was sold in foreign markets. While roughly half of what is considered as total exports actually move into a United States possession, Puerto Rico, the rest of the Caribbean is an excellent market. The Far East,

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[1]"Peanut Export Program Gets Underway," *Dixie Co-Op News*, Vol. 16, No. 12 (June, 1966), p. 2.

[2]Interview with Jerry Allison, Poultry Export Manager, March 22, 1969.

taking the countries in that area in total, is the fastest growing market for CPA.[1]

The export market is not for whole birds, only U. S. protected areas receive them, but rather is for parts with leg meat being the most popular export item. The majority of export sales are made direct or through agents within the countries involved with no more than 5 percent handled by exporters. The birds are marketed under the brand names Gold Kist and Early Bird.[2]

Partly due to increased marketing efforts under the name Gold Kist and because many customers knew only that name, particularly in poultry, CPA began, during this period, identifying itself primarily as CPA/Gold Kist with the corporate name assuming a subordinate position. Inasmuch as the corporate name is little used or known, the association being known as CPA, or Gold Kist, or the two in combination, this seemed to be a natural first step in what may ultimately involve a corporate name change.[3] This pattern has been noticed among many of the regional cooperatives who after many years of diversification find that their organization name no longer correctly identifies their activities or scope of operations.

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[1] *Ibid.*

[2] Interview with Robert L. Hadden, Manager, Gold Kist Poultry Sales Department, March 24, 1969.

[3] Interview with C. W. Paris, November 21, 1968.

Insurance Operations

By June 30, 1968, the sister organization of CPA, engaged in insurance activities, had grown to a complex of four companies operating as the Cotton States Insurance Group and was providing complete insurance services.[1] Luke R. Lassiter, Executive Vice President of the group of companies, reporting to delegates to the 1967-1968 annual meeting of CPA, pointed out that:

> . . . [the] group has grown from one company with capital and surplus of $121,000 and assets of $987,000 in 1953, to four companies with capital and surplus of $7,900,000 and assets of $20,900,000 in 1968. He emphasized that this would not have been possible without the moral and financial support of The Cotton Producers Association.[2]

Insurance operations are conducted through 162 agents located in Georgia and North Florida. In 1968, over $165 million in insurance was in force, about 50 percent of which was in group insurance plans, and earned premium income combined from all sources was over $10 million.

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[1]The four companies comprising the group are The Cotton States Mutual Insurance Company, the original company, providing a full line of property and casualty insurance, and its three wholly owned subsidiaries: The Cotton States Life and Health Insurance Company, organized in 1955; The Shield Insurance Company, organized in 1960 to provide automobile insurance for the standard risk driver; and The Cotton States Investment Company, organized in 1966 to provide financing services on automobiles and light trucks.

[2]"Lassiter Predicts Best Year for Cotton States Insurance," *Dixie Co-Op News*, Vol. 19, No. 6 (December, 1968), p. 11.

For the past several years, less than one-half of the volume has come from farmers.[1]

The officers of The Cotton States Mutual Insurance Company as of June 30, 1968, are shown in Table 8-9.

The Future

June 30, 1968, marked a turning point for CPA in many respects as the last member of the original management team, D. W. Brooks, had retired. It was a time of transition in a number of other respects: reorganization to meet the needs of an ever changing market; planning and analysis of the optimum course of action to take in the coming years; and providing for the various resources that would be required.

The likelihood of further vertical integration of activities and greater involvement in the consumer market, aside from directing an already far reaching and highly integrated multimillion dollar organization, presents for the current management a similar challenge to that offered and accepted by the founders of CPA over thirty years before. Their training, experience, and dedication will be tested, and, based on their efforts up to this time, proven sound and equal to such a task.

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[1]Interview with Charles E. Harrison, Secretary-Treasurer, The Cotton States Mutual Insurance Company, March 25, 1969.

Table 8-9

Officers of The Cotton States Mutual Insurance Company, June 30, 1968

Name	*Position*
C. B. FunderBurk	President
Luke R. Lassiter	Executive Vice President
Robert E. Carpenter	Senior Vice President (Sales)
Charles E. Harrison	Secretary-Treasurer
J. L. McClain	Vice President-Agency Services
Percy T. Marchman	Vice President-Claims
Proctor Chambless	Vice President-Underwriting
Vincent P. Strobel	Vice President-Director, Agencies

Source: Obtained in an interview with Charles E. Harrison, March 25, 1969.

CHAPTER IX

SUMMARY AND CONCLUSIONS

Summary

The history of the development and growth of The Cotton Producers Association is an abundant record of the contribution of a business institution to the economic and social life of the Deep South and provides a striking example of the potential of the cooperative form of organization in agriculture. From its meager beginning in 1933 as a small cotton marketing association in Georgia, CPA has grown, in the short span of thirty-five years, to a position of international reputation and a ranking among the leading five regional cooperatives in the United States. In its development, the organization has provided numerous production and marketing services to its membership of some 150,000 farmers, and, in so doing, has become almost as diversified as agriculture itself. Programs currently in the process of development, such as catfish production and marketing, soybean processing, and egg production and marketing, hold the promise of expanding the influence, effect, and contributions of CPA to even greater proportions in a few short years. Long-range plans to provide additional

services, including the production and marketing of swine and vegetables and the marketing of petroleum, along with considerable further processing of existing commodities handled, indicate the intent of CPA to continue sorting from the many avenues of growth open to the Dixie farmer those which appear to offer the most promise for success and which are within the capabilities of the organization.[1]

The association, commencing operations in 1933, provided cotton marketing services for farmers in Georgia as an agent of the American Cotton Cooperative Association. This limited service to farmers was never meant to be the extent of activities conducted on the behalf of farmers. David W. (D. W.) Brooks, an agronomist by training and the founder and manager of the cooperative in its first thirty-five years, realized from the outset that the problems of the farmer could never be solved by such a limited effort. His training and experience enabled him to recognize and appreciate the need for improved production resources and techniques by farmers in the Southeast.

It is, therefore, not surprising that much effort was exerted by the management of CPA in the education of the farmer members to newer and more efficient techniques of production for cotton which was, of course, the principal crop in Georgia during this time. Also in the period prior

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[1]Interview with C. W. Paris, February 12, 1969.

to 1940, warehousing facilities were provided to as many members as possible by the formation of local associations of farmers to service the membership on the local level. This step in development accomplished two objectives: namely, providing a lower cost storage service to farmers, and, probably more importantly, providing cotton grading services so that farmers might receive a fair price based on quality for their cotton.

Efforts to improve the quality of the cotton produced in Georgia and in Alabama, to which state operations had been expanded in the late 1930's, were thwarted by inferior production supplies. Therefore, in 1940, CPA purchased a fertilizer plant at Carrollton, Georgia, and began to manufacture and distribute a high quality plant food under the management of the Purchasing Division. This initial diversification of effort by the association was highly important in that the purchasing division would, throughout the history of CPA to June 30, 1968, provide the largest and most consistent savings to farmers from its operations. Moreover, the establishment of this division set the pattern for further expansion and development.

In the fiscal year 1942-1943, CPA became a member in Cooperative Mills, Inc., a cooperative feed manufacturing venture and thus was able to serve groups of farmers previously unserved by the association, particularly broiler

growers in North Georgia. This activity began immediately to add volume and net margin to the operations of the Purchasing Division.

The problems of adequate and convenient distribution of these supplies to farmers led the organization to establish in 1943 at Statesboro, Georgia, the first of what was to be a network of almost 100 Farmers' Mutual Exchanges (FMX) by 1968. Prior to this time, supplies had been distributed direct to farmers or through the local warehouse associations wherever possible. These FMX stores were organized and financed by the local farmers with CPA providing the management. In other areas where the volume potential was great, direct agencies were established.

Three affiliated stores had been established before CPA began supplying a full line of farm supplies in 1945. In that year, CPA became a member of United Cooperatives, Inc., Alliance, Ohio, a purchasing and manufacturing cooperative which is presently owned by CPA and thirty-two other regional cooperatives. This organization, from which CPA purchases virtually all of its miscellaneous farm supplies, sells a wide line of farm-related equipment and merchandise. With the addition of a seed purchasing and processing service in 1947, CPA through its purchasing activities, was able to supply its members with their total farm needs.

The rapid growth of the association during these years placed a heavy burden on the team of managers which had not been proportionately expanded. Therefore, in the years, 1945-1950, having proved that it could survive and be of considerable service to farmers, CPA began to devote much attention to the development of management resources. This was accomplished largely through the recruiting of young men and placing them in a comprehensive training program, although specialists in feed and fertilizer were also employed. That their management development efforts were significant during this time is attested to by the fact that almost all of the top management in CPA today came into the training program in the 1945-1950 period.

Commodity marketing activities for members were extended beyond cotton with the addition of a grain marketing division in 1948. CPA entered this area of operations because members had expressed a desire for organized grain marketing activities, there being none in the Southeast at this time, and because a local market for grain was developing due to the continued broiler industry expansion. In 1950, a 300 thousand bushel capacity grain elevator, constructed by CPA, became operational and grain volume expanded to over one million dollars in the first year that full grain marketing services were offered.

Total volume of the association for the fiscal year which ended June 30, 1950, exceeded $35 million and net margin from operations was $331,020.

During the years between June 30, 1950, and June 30, 1956, diversification efforts included the establishment of marketing services for pecans, livestock, and poultry. In each of the instances, requests from farmers precipitated the entry of CPA into these areas. The most important of these services in the long run was the full scale entry by CPA into the poultry industry.

Prior to this date, the involvement of CPA in that industry had been confined to supplying poultry feed and the operation of a hatchery (since 1950) to supply quality feed and chicks to growers. Because of the rapid expansion in broiler production which had occurred in the North Georgia area, processing plants had sprung up at virtually every crossroads in the region. The great majority of these were undercapitalized and operating only part-time. Such a situation had led to a much higher element of risk in producing broilers due to the problem of finding a processor able to take the birds when they were ready for market. Moreover, it was highly likely that even if a processor could be located, he would be unable to pay the grower until after the birds had been processed and sold.

Management, in an attempt to help the grower-members of CPA, decided that the poultry operations should be further vertically integrated. Such an ambitious program, which would take several years to implement, was exactly what the founders had envisioned in the 1930's, control of the product by the farmer throughout as much of the production and marketing processes as possible. To implement this program, a processing plant was purchased in November, 1951, at Holly Springs, Georgia, with a second plant purchased in March, 1952, at nearby Canton.

Some problems were experienced in getting a full-scale poultry program underway because of the depressed condition of the poultry market. By 1955-1956, the management of CPA had become experienced in poultry processing and, despite generally unfavorable broiler markets during many of the years since then, operations have been expanded on a profitable basis. Much of their success has been due to continued research and experimentation toward improving production practices and to an aggressive marketing effort which has opened many markets, both domestic and foreign, for Gold Kist poultry.

The trade name, Gold Kist, which throughout the continuing history of the organization plays an important part, was acquired in the purchase of two pecan processing plants at Waycross, Georgia, in the 1950-1951 fiscal year.

Every new marketing operation since then has adopted this name in connection with its operations. Since the early 1960's, the entire organization has been largely identified under the operating name CPA/Gold Kist.

The entry into pecan marketing represented the first cooperative effort in that commodity; consequently, operations from the beginning were conducted throughout the entire pecan belt, from Georgia through Texas. The volatility of pecan prices, due to supply considerations, emphasized the need for more orderly marketing which could only be provided through organizations of growers. CPA has been able through its development of markets, improvements in storage, and in pecan processing, to return to the farmer a price for his pecan production much above that which he could obtain independently.

For a period of several years before 1951, many CPA members had felt that a livestock marketing service should be provided. Therefore, after analysis of the problems and opportunities that existed, CPA opened a livestock auction barn at Hawkinsville, Georgia. A number of problems, personnel, adverse market conditions, insufficient volume, and inexperience caused the suspension of this activity in the late 1950's. Continued investigation and analysis would result in the opening of a livestock feeding lot operation in subsequent years.

On June 30, 1956, CPA had achieved a net worth of $7.8 million including about $100 thousand in interest-bearing certificates which had been sold to the membership to provide additional working capital. From this period on in the history of the association, these certificates would be bought by members from year-to-year.

Between 1956 and 1961, the greatest facility expansion in the history of CPA occurred, involving practically every operating department and accomplished by virtually every means through which a business enterprise implements a program of growth. Facilities were added either by acquisition, new construction, or leasing in the departments of fertilizer, feed, FMX operations and warehousing, and within the poultry division. Due to two mergers during this time, further expansion in poultry occurred and a new processing and marketing service, the peanut division, was established.

Many problems were experienced in integrating these expansion projects into the existing organization. There was some criticism heard, from members and employees alike, of such an ambitious program. Yet annual volume increased by almost $50 million during this period while annual net margin increased from $1.5 million to $3.5 million. Net worth on June 30, 1961, had expanded to $24 million despite losses of $2 million in the peanut operation in 1959. The

organization, working with the peanut marketing problem, was able to turn operations into a profitable venture the following year and through continued programs of research and market development, CPA became the largest peanut marketing organization in the world.

Continued efforts to become basic in the manufacture of farm supplies resulted in the construction of a nitrogen plant in partnership with two other cooperatives. Two feed mills were constructed within the operating area of CPA to supply the steadily increasing demand in the poultry producing areas of North Georgia and North Alabama.

The last seven years of the history of CPA to June 30, 1968, were characterized by considerable change in operations, transitions in management, and reorganization to meet the substantial task of managing one of the largest regional cooperatives in the United States. On June 30, 1968, the net worth of the corporation had almost reached $53 million, and its operations were truly world-wide with every commodity marketed by CPA being represented in world markets.

While expansion of facilities continued and significant steps were taken to provide more comprehensive services to members, this most recent period is more notable for the introspection and analysis which occurred. Organizational and administrative change were called for

due to the tremendous growth and diversification of the 1950's because the problems of coordination and control had been compounded by the events of these periods.

A second factor leading to a greater concern for the administration of the organization was the realization that the two major participants in policy formulation, as well as general administration, would shortly retire. These men, D. W. Brooks and C. B. FunderBurk, Executive Vice President and General Manager and Treasurer respectively of the association since its formation, had assumed the major roles in managing and financing the affairs of CPA, and these responsibilities would shortly have to be shifted to others.

Due to these factors, considerable reorganization took place in an attempt to establish four autonomous divisions with the managers of those units having authority commensurate with their responsibilities. These four divisions are purchasing, marketing, poultry, and administrative services. These changes seemed to be required in view of the considerable expansion being planned in all areas, much of which could be expected to contribute significantly to the volume of the association.

During this period, the purchasing division grew in all of its departments, feed, plant food, seed and farm supplies, pesticides, and agency operations. There were over 100 agencies distributing CPA supplies at the end of

the fiscal year 1967-1968. Within the feed department operations, a fish meal processing facility in Peru provided a major ingredient in feed manufacturing.

Marketing operations grew in part due to a merger in the peanut department, but also because of expansion in volume due to continued market development in the various commodities. Losses in pecan operations in several years reduced the overall contribution to net margin by this division.

In poultry, sales volume reached $114 million by June 30, 1968, with one of the major reasons for that growth being the expansion of processing capacity in the three plants owned at the beginning of the period. A major poultry complex placed in operation in the latter part of the period brought total weekly output to over two million broilers. Further processing of poultry began during this period with several products being produced for the institutional market and testing of products for the consumer market being conducted.

Toward the end of the period several programs were put into operation which, when operational, would involve CPA in new activities. These were a soybean processing facility at Valdosta, Georgia, the establishment of a catfish production and processing operation, and an egg production and marketing program.

With volume of $270 million and nearly $8 million in net margin for the year June 30, 1968, CPA was among the leading business organizations in the United States. Moreover, the planning and reorganization which had taken place in the period enabled better coordination and control of present operations and prepared CPA to meet the future.

General Conclusions

The hypotheses that have guided this study center upon the basic point of view that The Cotton Producers Association was formed in response to a recognition of need on the part of farmers to cooperate formally in meeting the problems of producing and marketing agricultural commodities. Investigation which has been performed would seem to support the existence of such need. Furthermore, CPA recognized and attacked through various programs these needs according to their priorities and continues this philosophy in its present operations. Continuing efforts to communicate this philosophy of operations to the members using both formal and informal means has resulted in a high level of support from the membership in all of the undertakings of the organization.

Examination of the growth and development of this cooperative, which has met and successfully dealt with many of the problems facing the farmer, should be of value

to similar organizations facing these questions. While differences in geographic location, organizational goals, and resources would make the choice of alternatives different for other cooperative ventures, there is much value in having knowledge of the courses of action taken and the results achieved in various problem areas. For these reasons, it does seem likely that certain aspects of the operation of The Cotton Producers Association might be advantageously employed in the cooperative form of organization.

Available information, including an examination of the general records of the organization, interviews with the principal officers and managers, inspection of a number of facilities, conversations with a representative sampling of middle management and employees, and a review of the published reports on the cooperative form of organization, indicates that The Cotton Producers Association has performed, and continues to strive to maintain, a high level of service to farmer members located in its geographic areas of influence. Moreover, the involvement of its management in intra-industry organizations and governmental programs shows that the organization is affecting agricultural policies in all of these areas of concern.

Within the scope of the operations of CPA, evidence would support the contention that services offered by the

various operating divisions have resulted in improved production supplies, production methods, marketing procedures, and market relationships. Moreover, continuing research efforts at all levels have enabled the farmer, members and non-members as well, in the Southeast to improve the product which he produces and, with further processing activity, which he markets.

It might be argued that at the inception of the cooperative in 1933, and for several years thereafter, any reasonably well organized and managed effort would have had favorable effects on the economic position of the farmer in the Southeast, and particularly Georgia. This may be true, yet in more recent years, CPA has been able to redirect farmer efforts to more profitable activities and, at the same time, provide the necessary services to insure that such activities will be remunerative.

Having exhausted the more obvious areas in which CPA might move and make a contribution to its membership, CPA has become more research oriented and more cautious in its decisions to undertake new programs. It would appear that the activity of organization planning should, however, be more formalized, perhaps by the creation of a planning committee at the executive level. Furthermore, since it seems that a greater movement into further processing and into the consumer market is contemplated, it perhaps would

be desirable to concentrate all consumer products under one management or within one department to achieve whatever benefits might accrue in research, distribution, and promotion.

Major movement into consumer products introduces an entirely new set of marketing problems and will involve a rather concentrated effort on the part of management to educate the members to the logic of such programs. Then too, it would seem that it may require closer supervision or control over production of commodities. This might lead to contractual arrangements which would need to be explained.

The task and experience of management is being complicated by further growth and diversification. The present staff is impressive and are all of the age group such that they will be in their positions of authority for the next ten years or so. Yet, at that time wholesale retirements will occur. This means that the job of building competent replacements must begin now. In some areas of the organization there does not seem to be sufficient attention being devoted to the training of replacements. This problem seems to merit closer attention.

Financing has always presented problems due to the rapid growth of the organization over the years. The attainments of CPA, viewed in the light of this constraint,

are quite impressive. Yet, this matter needs to receive more study.

Finally, the impressive record of CPA over the years seems to be likely to be maintained due to the concern on the part of the present management with various problems such as have been discussed here.

Suggestions for Further Investigation

Because personnel is a continuing problem for any organization, and for the cooperative in particular, a closer assessment of management resources would seem to offer benefits. A management audit would seem the likely first step in the program of providing adequately for personnel needs.

Owing to the nature of the financing problems faced by all cooperatives, an examination of the current methods in use as well as appraisal of alternative plans or programs is suggested.

Because of the need to extend the control of the farmer further along the channel for agricultural commodities, investigation into the more appropriate means for accomplishing this is indicated. Initially this could involve an investigation of the efforts of other cooperatives along similar lines.

Due to the complexity of the present operations of CPA, it appears that a more efficient means for transmitting information regarding operations, for planning, coordination and control purposes, might be not only desirable but economically sound. With a computer facility already in operation, study of a management and marketing information system should be undertaken.

The nature of the total communication job of a cooperative is such that much education of members, as well as promotion of services, to them needs to be accomplished. Additionally, promotion to the various markets, which with increased consumer products should intensify, has to be accomplished. A study to determine the optimal organizational arrangement for accomplishing these differing functions might result in a more efficient and effective means. Perhaps these two functions should be separated in order to allow the proper emphasis and attention to be given to them.

APPENDICES

APPENDIX A

STATISTICS ON COOPERATIVES

Table A-1

Estimated Number and Percentage of Marketing, Farm Supply and Related Service Cooperatives[a] for Specified Periods 1925-1926 to 1966-1967

Period	*Marketing*		*Farm Supply*		*Related Service*[b]		*Total*	
	Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
1925-1926	9,586	88.7	1,217	11.3	. .	. .	10,803	100.0
1927-1928	10,195	89.4	1,205	10.6	. .	. .	11,400	100.0
1929-1930	10,546	87.9	1,454	12.1	. .	. .	12,000	100.0
1930-1931	10,362	86.7	1,588	13.3	. .	. .	11,950	100.0
1931-1932	10,255	86.2	1,645	13.8	. .	. .	11,900	100.0
1932-1933	9,352	85.0	1,648	15.0	. .	. .	11,000	100.0
1933-1934	9,052	83.0	1,848	17.0	. .	. .	10,900	100.0
1934-1935	8,794	82.2	1,906	17.8	. .	. .	10,700	100.0
1935-1936	8,388	79.9	2,112	20.1	. .	. .	10,500	100.0
1936-1937	8,142	75.8	2,601	24.2	. .	. .	10,743	100.0
1937-1938	8,300	76.2	2,600	23.8	. .	. .	10,900	100.0
1938-1939	8,100	75.7	2,600	24.3	. .	. .	10,700	100.0
1939-1940	8,051	75.3	2,649	24.7	. .	. .	10,700	100.0
1940-1941	7,943	74.9	2,657	25.1	. .	. .	10,600	100.0
1941-1942	7,824	74.2	2,726	25.8	. .	. .	10,550	100.0
1942-1943	7,708	73.8	2,742	26.2	. .	. .	10,450	100.0
1943-1944	7,522	73.0	2,778	27.0	. .	. .	10,300	100.0
1944-1945	7,400	72.9	2,750	27.1	. .	. .	10,150	100.0
1945-1946	7,378	72.7	2,772	27.3	. .	. .	10,150	100.0
1946-1947	7,268	71.8	2,857	28.2	. .	. .	10,125	100.0
1947-1948	7,159	70.6	2,976	29.4	. .	. .	10,135	100.0
1948-1949	6,993	69.4	3,082	30.6	. .	. .	10,075	100.0
1949-1950	6,922	69.0	3,113	31.0	. .	. .	10,035	100.0
1950-1951	6,519	64.8	3,283	32.6	262	2.6	10,064	100.0
1951-1952	6,594	64.8	3,324	32.6	261	2.6	10,179	100.0
1952-1953	6,501	64.2	3,378	33.4	249	2.4	10,128	100.0
1953-1954	6,457	64.1	3,374	33.5	241	2.4	10,072	100.0
1954-1955	6,330	63.9	3,346	33.8	227	2.3	9,903	100.0
1955-1956	6,284	63.5	3,375	34.1	235	2.4	9,894	100.0
1956-1957	6,284	63.5	3,373	34.1	234	2.4	9,891	100.0
1957-1958	6,119	62.8	3,383	34.8	233	2.4	9,735	100.0
1958-1959	6,042	62.5	3,387	35.1	229	2.4	9,658	100.0
1959-1960	5,828	62.3	3,297	35.3	220	2.4	9,345	100.0
1960-1961	5,727	62.5	3,222	35.2	214	2.3	9,163	100.0
1961-1962	5,626	62.2	3,206	35.5	207	2.3	9,039	100.0
1962-1963	5,502	61.8	3,211	36.0	194	2.2	8,907	100.0
1963-1964	5,421	61.3	3,226	36.5	200	2.2	8,847	100.0
1964-1965	5,305	61.8	3,085	35.9	193	2.3	8,583	100.0
1965-1966	5,194	62.4	2,949	35.4	186	2.3	8,329	100.0
1966-1967[c]	5,076	62.5	2,871	35.3	178	2.2	8,125	100.0

Source: Data for period, 1925-1926 to 1949-1950, taken from: U. S. Department of Agriculture, *Statistics of Farmer Cooperatives, 1962-1963*, General Report No. 128, July, 1965, p. 74; for period, 1950-1951 to 1965-1966, U. S. Department of Agriculture, *Statistics of Farmer Cooperatives, 1965-1966*, FCS Research Report 1, July, 1968, p. 2; and for 1966-1967, Bruce L. Swanson, "Cooperative Business Continues Upward Surge," *News for Farmer Cooperatives*, Vol. 35, No. 12 (March, 1969), pp. 12-14.

[a]Includes independent local associations, federations, centralized associations, and sales agencies.

[b]Statistics on related service cooperatives, those engaged primarily in performing trucking, storage, and other functions related to marketing and handling farm products and supplies, were not separately compiled prior to 1950.

[c]Preliminary.

Table A-2

Estimated Membership of Marketing,[a] Farm Supply, and Related Service Cooperatives 1925-1926 to 1966-1967

	Marketing		*Farm Supply*		*Related Service*[b]		*Total*	
Year	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
1925-1926	2,453,000	90.9	247,000	9.1	. . .	. .	2,700,000	100.0
1927-1928	2,602,000	86.7	398,000	13.1	. . .	. .	3,000,000	100.0
1929-1930	2,630,000	84.8	470,000	15.2	. . .	. .	3,100,000	100.0
1930-1931	2,608,000	86.9	392,000	13.1	. . .	. .	3,000,000	100.0
1931-1932	2,667,000	83.3	533,000	16.7	. . .	. .	3,200,000	100.0
1932-1933	2,457,300	81.9	542,700	18.1	. . .	. .	3,000,000	100.0
1933-1934	2,464,000	78.1	692,000	21.9	. . .	. .	3,156,000	100.0
1934-1935	2,490,000	75.9	790,000	24.1	. . .	. .	3,280,000	100.0
1935-1936	2,710,000	74.0	950,000	26.0	. . .	. .	3,660,000	100.0
1936-1937	2,414,000	73.8	856,000	26.2	. . .	. .	3,270,000	100.0
1937-1938	2,500,000	73.5	900,000	26.5	. . .	. .	3,400,000	100.0
1938-1939	2,410,000	73.0	890,000	27.0	. . .	. .	3,300,000	100.0

Source: Data for period, 1925-1926 to 1949-1950, taken from: U. S. Department of Agriculture, *Statistics of Farmer Cooperatives, 1962-1963*, General Report 128, July, 1965, p. 75; for period 1950-1951 to 1965-1966, U. S. Department of Agriculture, *Statistics of Farmer Cooperatives, 1965-1966*, FCS Research Report 1, July, 1968, p. 9; and for 1966-1967, Bruce L. Swanson, "Cooperative Business Continues Upward Surge," *News for Farmer Cooperatives*, Vol. 35, No. 12 (March, 1969), pp. 12-14.

[a]Includes independent local associations, federations, centralized associations, and sales agencies.

[b]Statistics on related service cooperatives, those engaged primarily in performing trucking, storage, and other functions related to marketing and handling farm products and supplies, were not separately compiled prior to 1950.

Table A-2—*Continued*

	Marketing		*Farm Supply*		*Related Service*		*Total*	
Year	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
1939-1940	2,300,000	71.9	900,000	28.1	. . .	. .	3,200,000	100.0
1940-1941	2,420,000	71.2	980,000	28.8	. . .	. .	3,400,000	100.0
1941-1942	2,430,000	67.5	1,170,000	32.5	. . .	. .	3,600,000	100.0
1942-1943	2,580,000	67.0	1,270,000	33.0	. . .	. .	3,850,000	100.0
1943-1944	2,730,000	64.2	1,520,000	35.8	. . .	. .	4,250,000	100.0
1944-1945	2,895,000	64.3	1,610,000	35.7	. . .	. .	4,505,000	100.0
1945-1946	3,150,000	62.9	1,860,000	37.1	. . .	. .	5,010,000	100.0
1946-1947	3,378,000	62.1	2,058,000	37.9	. . .	. .	5,436,000	100.0
1947-1948	3,630,000	61.6	2,260,000	38.4	. . .	. .	5,890,000	100.0
1948-1949	3,973,000	62.2	2,411,000	37.8	. . .	. .	6,384,000	100.0
1949-1950	4,075,000	61.9	2,509,000	38.1	. . .	. .	6,584,000	100.0
1950-1951	4,117,950	58.1	2,878,890	40.6	74,280	1.3	7,091,120	100.0
1951-1952	4,229,125	57.4	3,032,550	41.2	102,030	1.4	7,363,705	100.0
1952-1953	4,247,035	56.8	3,138,820	42.0	89,230	1.2	7,475,085	100.0
1953-1954	4,273,350	56.1	3,252,860	42.8	82,030	1.1	7,608,240	100.0
1954-1955	4,213,485	55.4	3,322,490	43.7	67,880	0.9	7,603,855	100.0
1955-1956	4,223,260	54.6	3,443,610	44.6	64,865	0.8	7,731,735	100.0
1956-1957	4,121,700	53.7	3,489,425	45.5	61,920	0.8	7,673,045	100.0
1957-1958	3,879,675	51.8	3,543,185	47.3	63,595	0.9	7,486,455	100.0
1958-1959	3,860,950	51.1	3,643,525	48.2	54,075	0.7	7,558,550	100.0
1959-1960	3,621,900	49.8	3,600,465	49.5	51,090	0.7	7,273,455	100.0
1960-1961	3,473,425	48.2	3,679,675	51.1	49,795	0.7	7,202,895	100.0
1961-1962	3,420,100	48.2	3,634,690	51.2	44,190	0.6	7,098,980	100.0
1962-1963	3,582,110	49.6	3,595,890	49.8	40,750	0.6	7,218,750	100.0
1963-1964	3,612,535	51.0	3,425,200	48.4	41,765	0.6	7,079,500	100.0
1964-1965	3,790,915	53.5	3,250,840	45.9	40,255	0.6	7,082,010	100.0
1965-1966	3,635,605	53.2	3,154,490	46.2	36,180	0.5	6,826,275	100.0
1966-1967[c]	3,298,435	50.7	3,168,895	48.8	34,280	0.5	6,501,700	100.0

[c]Preliminary.

Table A-3

Estimated Gross Dollar Volume of Business of Marketing, Farm Supply and Related Service Cooperatives, 1925-1926 to 1966-1967

(000 omitted)

Year	*Marketing*	*Farm Supplies*	*Related Services*[a]	*Total*
1925-1926	2,265,000	135,000	. . .	2,400,000
1927-1928	2,172,000	128,000	. . .	2,300,000
1929-1930	2,310,000	190,000	. . .	2,500,000
1930-1931	2,185,000	215,000	. . .	2,400,000
1931-1932	1,744,000	181,000	. . .	1,925,000
1932-1933	1,199,500	140,500	. . .	1,340,000
1933-1934	1,213,000	152,000	. . .	1,365,000
1934-1935	1,343,000	187,000	. . .	1,530,000
1935-1936	1,586,000	254,000	. . .	1,840,000
1936-1937	1,882,600	313,400	. . .	2,196,000
1937-1938	2,050,000	350,000	. . .	2,400,000
1938-1939	1,765,000	335,000	. . .	2,100,000
1939-1940	1,729,000	358,000	. . .	2,087,000
1940-1941	1,911,000	369,000	. . .	2,280,000
1941-1942	2,360,000	480,000	. . .	2,840,000
1942-1943	3,180,000	600,000	. . .	3,730,000
1943-1944	4,430,000	730,000	. . .	5,160,000
1944-1945	4,835,000	810,000	. . .	5,645,000
1945-1946	5,147,000	923,000	. . .	6,070,000
1946-1947	6,005,000	1,111,000	. . .	7,116,000
1947-1948	7,195,000	1,440,000	. . .	8,635,000
1948-1949	7,700,000	1,620,000	. . .	9,320,000
1949-1950	7,082,600	1,643,400	. . .	8,726,000
1950-1951	7,984,777	2,437,521	99,958	10,522,256
1951-1952	9,260,697	2,762,095	114,480	12,137,272
1952-1953	9,294,945	2,866,908	141,750	12,303,603
1953-1954	9,198,727	2,841,727	157,802	12,198,256
1954-1955	9,347,913	2,921,859	195,522	12,465,294
1955-1956	9,514,387	2,972,696	214,880	12,701,963
1956-1957	10,110,115	3,152,985	234,629	13,497,729
1957-1958	10,538,742	3,269,400	246,964	14,055,106
1958-1959	11,412,483	3,549,922	272,866	15,235,271
1959-1960	11,688,409	3,659,969	298,177	15,646,555
1960-1961	12,143,722	3,744,711	305,600	16,194,033
1961-1962	12,992,656	3,914,849	302,102	17,209,607
1962-1963	13,893,463	4,145,263	303,281	18,342,007
1963-1964	14,532,553	4,393,864	313,103	19,239,520
1964-1965	14,816,217	4,495,217	315,527	19,626,961
1965-1966	15,494,396	4,804,443	325,071	20,623,910
1966-1967[b]	16,265,376	5,314,427	317,570	21,897,373

Source: Data for period, 1925-1926 to 1949-1950, taken from: U. S. Department of Agriculture, *Statistics of Farmer Cooperatives, 1962-1963*, General Report 128 July, 1965, p. 76; for period, 1950-1951 to 1965-1966, U. S. Department of Agriculture, *Statistics of Farmer Cooperatives, 1965-1966*, FCS Report 1, July, 1968, p. 10; and for 1966-1967, Bruce L. Swanson, "Cooperative Business Continues Upward Surge," *News for Farmer Cooperatives*, Vol. 35, No. 12 (March, 1969), pp. 12-14.

[a]Statistics on related service cooperatives, those engaged primarily in performing trucking, storage, and other functions related to marketing and handling farm products and supplies, were not separately compiled prior to 1950.

[b]Preliminary.

APPENDIX B

AGRICULTURAL STATISTICS

Table B-1

Average Annual Georgia Price of Cotton
Lint for Crop Years 1925-1967

(dollars per hundredweight)

Year	*Price*	*Year*	*Price*
1925	$19.00	1947	$32.67
1926	11.10	1948	31.10
1927	19.40	1949	29.93
1928	18.20	1950	40.06
1929	15.80	1951	38.48
1930	9.30	1952	36.39
1931	5.83	1953	33.06
1932	6.98	1954	34.62
1933	9.70	1955	33.97
1934	12.12	1956	32.58
1935	11.07	1957	30.72
1936	12.48	1958	36.00
1937	8.61	1959	32.95
1938	8.69	1960	31.77
1939	9.37	1961	33.28
1940	9.87	1962	32.77
1941	17.76	1963	32.46
1942	19.35	1964	28.75
1943	20.45	1965	27.96
1944	21.28	1966	20.71
1945	23.06	1967	25.90
1946	34.20		

Source: For years 1925-1933, U. S. Department of Agriculture, *Yearbook of Agriculture, 1932-1935* (Washington, D. C.: Government Printing Office, 1935); for years 1934-1967, U. S. Department of Agriculture, *Agricultural Statistics, 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

Table B-2

Cotton Production in Designated States for Selected Years between 1930-1967

(500 pound gross weight bales—000 omitted)

State	*1930*	*1935*	*1940*	*1945*	*1950*
Georgia	1,593	1,059	1,010	669	488
Florida	50	31	21	8	14
Alabama	1,473	1,059	779	931	575
South Carolina	. . .	744	966	664	405
Total	3,116	2,893	2,776	2,272	1,482

	1955	*1960*	*1965*	*1966*	*1967*
Georgia	701	505	563	316	228
Florida	24.7	16.7	14	7	10
Alabama	1,045	756	853	416	197
South Carolina	572	414	497	282	. . .
Total	2,342.7	1,691.7	1,927	1,021	435

Source: For year 1930, *Yearbook of Agriculture 1932-1935* (Washington, D. C.: Government Printing Office, 1935); for years 1934-1967, *Agricultural Statistics 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

Table B-3

Number of Chickens on Farms in Designated States, 1920-1945

State	*1920*	*1925*	*1930*	*1935*	*1940*	*1945*
Georgia	7,222	7,043	5,373	6,509	5,871	7,138
Florida	1,555	2,130	1,950	2,190	2,029	2,488
Alabama	5,918	6,284	5,428	6,778	5,951	7,358
South Carolina	3,954	4,238	3,059	3,894	3,376	4,652
Total	18,649	19,695	15,808	19,391	17,227	21,636

Source: U. S. Department of Commerce, Bureau of the Census, Census of Agriculture, 1945 (Washington, D. C.: Government Printing Office, 1948).

Table B-4

Cattle and Calves on Farms in Designated States, 1920-1945
(000 omitted)

State	*1920*	*1925*	*1930*	*1935*	*1940*	*1945*
Georgia	1,157	906	670	1,100	803	1,140
Florida	639	656	373	713	721	1,115
Alabama	1,044	822	681	1,125	890	1,282
South Carolina	434	341	235	385	275	390
Total	3,274	2,725	1,959	3,323	2,689	3,927

Source: U. S. Department of Commerce, Bureau of the Census, Census of Agriculture, 1945 (Washington, D. C.: Government Printing Office, 1948).

Table B-5

Gallons of Milk Produced in Designated States, 1919-1944
(000 omitted)

State	*1919*	*1924*	*1929*	*1934*	*1939*	*1944*
Georgia	101,616	98,822	113,640	119,071	117,838	127,685
Florida	12,156	19,265	26,284	29,387	36,742	55,663
Alabama	93,904	95,365	123,549	134,424	126,855	142,717
South Carolina	52,955	49,982	52,526	57,798	58,000	65,495
Total	260,631	263,434	315,999	340,680	340,235	391,560

Source: U. S. Department of Commerce, Bureau of the Census, Census of Agriculture, 1945 (Washington, D. C.: Government Printing Office, 1948).

Table B-6

Eggs Produced (in Dozens) in Designated States, 1919-1944
(000 omitted)

State	*1919*	*1924*	*1929*	*1934*	*1939*	*1944*
Georgia	23,812	19,838	30,534	23,034	31,616	39,473
Florida	6,531	9,577	14,424	11,699	14,513	17,496
Alabama	23,437	19,467	34,565	28,170	33,473	43,979
South Carolina	12,812	11,109	15,907	12,377	17,234	23,631
Total	65,962	59,991	95,430	75,280	96,836	124,579

Source: U. S. Department of Commerce, Bureau of the Census, Census of Agriculture, 1945 (Washington, D. C.: Government Printing Office, 1948).

Table B-7

Broiler Production in Designated States for Selected Years between 1930-1967

(000 omitted)

State	*1930*	*1935*	*1940*	*1945*	*1950*
Georgia	. . .	12,351	3,500	29,520	62,892
Florida	. . .	3,299	3,000	5,750	9,001
Alabama	. . .	11,508	. . .	5,075	13,114
Total	. . .	27,158	6,500	40,345	85,007

	1955	*1960*	*1965*	*1966*	*1967*
Georgia	177,642	320,250	402,770	456,192	447,123
Florida	9,389	10,413	12,855	18,640	25,164
Alabama	57,764	176,654	285,007	324,124	324,629
Total	244,795	507,317	700,632	798,956	796,916

Source: For year 1930, *Yearbook of Agriculture 1932-1935* (Washington, D. C.: Government Printing Office, 1935); for years 1934-1967, *Agricultural Statistics 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

Table B-8

Peanut Production in Designated States for Selected Years between 1930-1967

(in thousand pounds)

State	*1930*	*1935*	*1940*	*1945*	*1950*
Georgia	. . .	366,800	581,625	722,250	680,680
Florida	. . .	37,820	73,320	66,000	61,200
Alabama	. . .	253,440	227,850	340,900	324,950
Total	. . .	658,060	882,795	1,129,150	994,830

	1955	*1960*	*1965*	*1966*	*1967*
Georgia	504,240	593,750	877,850	809,760	975,120
Florida	61,200	56,870	8,300	72,275	78,890
Alabama	209,620	217,740	258,020	226,920	235,840
Total	775,060	868,360	1,114,170	1,108,955	1,289,850

Source: For year 1930, *Yearbook of Agriculture 1932-1935* (Washington, D. C.: Government Printing Office, 1935); for years 1934-1967, *Agricultural Statistics 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

Table B-9

Pecan Production in Designated States for Selected Years between 1930-1967

(in thousand pounds)

State	*1930*	*1935*	*1940*	*1945*	*1950*
Georgia	. . .	9,800	8,526	36,850	41,000
Florida	. . .	1,650	1,426	4,234	4,150
Alabama	. . .	3,140	2,219	12,100	11,700
Total	. . .	14,590	12,171	53,184	56,850

	1955	*1960*	*1965*	*1966*	*1967*
Georgia	10,000	37,700	61,000	30,000	38,000
Florida	10,900	1,800	2,100	2,000	2,000
Alabama	8,000	17,300	29,500	22,500	17,000
Total	28,900	56,800	92,600	54,500	57,000

Source: For year 1930, *Yearbook of Agriculture 1932-1935* (Washington, D. C.: Government Printing Office, 1935); for years 1934-1967, *Agricultural Statistics 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

Table B-10

Soybean Production in Designated States for Selected Years between 1930-1967

(in 1,000 bushels)

State	*1930*	*1935*	*1940*	*1945*	*1950*
Georgia	. . .	42	91	45	286
Florida	. . .	. .	. .	. .	133
Alabama	. . .	66	55	297	1,387
Total	. . .	108	146	342	1,806

	1955	*1960*	*1965*	*1966*	*1967*
Georgia	684	1,275	4,284	6,923	13,008
Florida	792	780	2,028	2,160	2,800
Alabama	2,162	3,192	5,016	6,860	12,852
Total	3,638	5,247	11,328	15,943	28,660

Source: For year 1930, *Yearbook of Agriculture 1932-1935* (Washington, D. C.: Government Printing Office, 1935); for years 1934-1967, *Agricultural Statistics 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

Table B-11

Corn Production in Designated States for Selected Years between 1930-1967

(production for grain in 1,000 bushels)

State	*1930*	*1935*	*1940*	*1945*	*1950*
Georgia	. . .	38,010	45,782	46,458	41,664
Florida	. . .	6,130	7,249	6,215	5,320
Alabama	. . .	47,600	41,928	46,728	52,524
Total	. . .	91,740	94,959	99,401	99,508

	1955	*1960*	*1965*	*1966*	*1967*
Georgia	53,568	62,312	67,032	58,824	88,856
Florida	7,200	8,903	15,488	14,964	22,450
Alabama	62,160	44,330	37,520	26,070	37,840
Total	122,928	115,545	120,040	114,818	149,146

Source: For year 1930, *Yearbook of Agriculture 1932-1935* (Washington, D. C.: Government Printing Office, 1935); for years 1934-1967, *Agricultural Statistics 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

Table B-12

Winter Wheat Production in Designated States for Selected Years between 1930-1967

(in 1,000 bushels)

State	*1930*	*1935*	*1940*	*1945*	*1950*
Georgia	. . .	1,560	1,892	2,470	1,350
Florida	. . .	. . .	. . .	. . .	. . .
Alabama	. . .	54	75	315	170
Total	. . .	1,614	1,967	2,785	1,520

	1955	*1960*	*1965*	*1966*	*1967*
Georgia	1,600	2,016	1,827	1,950	3,380
Florida	. . .	. . .	598	644	960
Alabama	1,007	1,200	1,300	1,652	2,688
Total	2,607	3,216	3,725	4,246	7,028

Source: For year 1930, *Yearbook of Agriculture 1932-1935* (Washington, D. C.: Government Printing Office, 1935); for years 1934-1967, *Agricultural Statistics 1939-1968* (Washington, D. C.: Government Printing Office, 1968).

APPENDIX C

LEGAL ASPECTS OF ORGANIZATION

ARTICLES OF INCORPORATION AND BYLAWS OF
THE COTTON PRODUCERS ASSOCIATION
(as amended to June 30, 1968)[1]

To the Honorable, the Superior Court of Fulton County, Georgia:

This the petition of S. S. Johnson, John F. West, S. H. Burns, W. P. Sewell, Geo. S. Rees, H. M. Paulk, W. C. Hodges, J. J. Pilcher, G. W. Woodruff shows respectfully unto this Honorable Court as follows:

1. Petitioners desire to be incorporated as a corporation under the terms of the "Cooperative Marketing Act" of this State.

2. The name of this corporation shall be The Cotton Producers Association.

3. The purposes for which the corporation is organized are to engage in any activity in connection with the marketing or selling of cotton, cottonseed products and their byproducts of its members; and, with the harvesting, processing, packing, storing, handling, shipping, and utilization thereof; and, the manufacturing or marketing of the byproducts thereof, and in connection with the purchasing, selling or supplying to its members of machinery, equipment or supplies; and, in the financing of the above enumerated activities; or in any one or more of the activities specified. *Provided, however,* any such activity may extend to nonmembers and their products limited as provided by said Cooperative Marketing Act of Georgia, as now amended.

It shall have power to do each and everything necessary, suitable or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the objects herein enumerated; or conducive to or expedient for the interests or benefit of the association; and to contract accordingly; to guarantee contracts and obligations of associations leasing and operating warehouse properties owned by this corporation and to indemnify the surety or sureties which may execute bonds on behalf of such warehouse associations, or

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[1]Taken from the records of the office of Vice President, Finance, The Cotton Producers Association.

any one or more of them; and in addition to exercise and possess all powers, rights and privileges necessary or incidental to the purposes for which the association is organized or to the activities in which it is engaged; and in addition any other rights, powers, and privileges granted by the laws of this State to ordinary corporations, except such as are inconsistent with the express provisions of said Cooperative Marketing Act, as amended; and to do any such thing anywhere.

4. The place where the principal business of said corporation will be transacted is in Fulton County, Ga.

5. The term for which said corporation is to exist is twenty (20) years from and after the date of its incorporation.

6. Said corporation shall be managed by a board of not to exceed nine (9) directors.

The names and residences of those selected to serve for the first year, who are to serve as incorporating directors until their successors are elected and qualified are:

Name	Residence	County	State
S. S. Johnson	Silver Creek	Floyd	Georgia.
John F. West	Calhoun	Gordon	Do.
S. H. Burns	Clem	Carroll	Do.
W. P. Sewell	Atlanta	Dekalb	Do.
Geo. S. Rees	Preston	Webster	Do.
H. M. Paulk	Fitzgerald	Ben Hill	Do.
W. C. Hodges	Statesboro	Bulloch	Do.
J. J. Pilcher	Wrens	Jefferson	Do.
G. W. Woodruff	Winder	Barrow	Do.

7. Said corporation shall have no capital stock; and shall admit members into the association upon the payment of such entrance fees and other uniform conditions as provided by the board of directors.

The voting power of the members of this association shall be equal and no member of the association shall be entitled to more than one vote because of his membership therein.

Each member shall have one unit of property right only.

8. Said corporation shall have the right to make bylaws for its government and provide in such bylaws for the amendment thereof from time to time in the manner therein prescribed.

Wherefore, petitioners pray that after publication in accordance with the statutes made and provided in such causes that they be incorporated and made a body politic and corporate under the name and title aforesaid, with all the rights, powers, privileges and immunities herein set forth and with all the rights, powers and privileges conferred upon such organizations under the Cooperative Marketing Act, and subject to the restrictions fixed by law.

In witness whereof, we have hereunto subscribed our names.

Signed by S. S. Johnson in the presence of J. L. Jolly, notary public, Floyd County, Ga.

S. S. JOHNSON.

Signed by John F. West in the presence of N. Earl Caldwell, notary public, State at large.

JOHN F. WEST.

Signed by S. H. Burns in the presence of J. A. Vaughn, notary public, State at large.

S. H. BURNS.

Signed by W. P. Sewell in the presence of P. Hooper, notary public, Fulton County.

My commission expires October 21, 1938.

W. P. SEWELL.

Signed by Geo. S. Rees in the presence of N. E. Bulloch, notary public, State at large.

GEO. S. REES.

Signed by H. M. Paulk in the presence of W. G. Doss, notary public, State at large, Tifton, Ga.

My commission expires November 29, 1939.

H. M. PAULK.

Signed by W. C. Hodges in the presence of J. Tom Davis, notary public and Ex. Off. J. P.

W. C. HODGES.

Signed by J. J. Pilcher in the presence of R. S. McClesky, J. P., notary public.

J. J. PILCHER.

Signed by G. W. Woodruff in the presence of Robert L. Thomas, notary public, C. N. P., Barrow County, Ga.

G. W. WOODRUFF.

ALSTON, ALSTON, FOSTER & MORSE,

Attorneys for Petitioners.

Filed in office this the 6 day of June 1936.

J. W. Simmons

Clerk, Superior Court

BY-LAWS
of
THE COTTON PRODUCERS ASSOCIATION[1]
(As amended to November 25, 1968)

ARTICLE I

The Cotton Producers Association may be hereinafter referred to as the "Association."

The purposes for which this Association is formed are set forth in the charter of the Association.

ARTICLE II

Section 1 (a) Number of Directors. The corporate powers, business and property of the Association shall be exercised, conducted and controlled by a Board of not less than twelve (12) directors.

Section 1 (b) Districts and Corporation Districts. For the purpose of providing equitable representation of the members on the Board of Directors, the territory served by the Association shall be divided into Districts and Corporation Districts. Such Districts and Corporation Districts shall be and are specified to be numbered, and to contain the counties named as follows:

District No. 1:	Baker, Georgia	Lee	Seminole
	Calhoun	Macon	Stewart
	Chattahoochee	Marion	Sumter
	Clay	Miller	Terrell
	Decatur	Mitchell	Thomas
	Dougherty	Quitman	Webster
	Early	Randolph	
	Grady	Schley	All counties in Florida

[1]Taken from the records of the office of Vice President, Finance, The Cotton Producers Association.

District No. 2:	Appling, Georgia	Crisp	Pulaski
	Atkinson	Dodge	Telfair
	Bacon	Dooly	Tift
	Ben Hill	Echols	Turner
	Berrien	Glynn	Ware
	Brantley	Houston	Wayne
	Brooks	Irwin	Wilcox
	Camden	Jeff Davis	Worth
	Charlton	Lanier	
	Clinch	Long	
	Coffee	Lowndes	
	Colquitt	McIntosh	
	Cook	Pierce	
District No. 3:	Bleckley, Georgia	Emanuel	Montgomery
	Bryan	Evans	Screven
	Bulloch	Jefferson	Tattnall
	Burke	Jenkins	Toombs
	Candler	Johnson	Treutlen
	Chatham	Laurens	Wheeler
	Effingham	Liberty	
District No. 4:	All counties in Arizona, New Mexico and California.		
District No. 5:	Baldwin, Georgia	Hart	Stephens
	Banks	Jackson	Taliaferro
	Clarke	Lincoln	Towns
	Columbia	Lumpkin	Twiggs
	Elbert	Madison	Union
	Franklin	McDuffie	Warren
	Glascock	Oconee	Washington
	Greene	Oglethorpe	White
	Habersham	Rabun	Wilkes
	Hancock	Richmond	Wilkinson
	And all counties in South Carolina and North Carolina		
District No. 6:	Barrow, Georgia	Fayette	Newton
	Butts	Forsyth	Paulding
	Cherokee	Fulton	Pickens
	Clayton	Gwinnett	Polk
	Cobb	Hall	Putnam

	Coweta	Haralson	Rockdale
	Dawson	Henry	Spalding
	DeKalb	Jasper	Walton
	Douglas	Morgan	
District No. 7:	Bibb, Georgia	Lamar	Pike
	Carroll	Meriwether	Talbot
	Crawford	Monroe	Taylor
	Harris	Muscogee	Troup
	Heard	Peach	Upson
	Jones		
	Calhoun, Alabama	Cleburne	Talladega
	Chambers	Lee	Tallapoosa
	Clay	Randolph	
District No. 8:	Bartow, Georgia	Floyd	Murray
	Catoosa	Gilmer	Walker
	Chattooga	Gordon	Whitfield
	Dade		
	Fannin		
	Cherokee, Alabama		
District No. 9:	All counties in Alabama except Calhoun, Chambers, Cherokee, Clay, Cleburne, Lee, Randolph, Talladega and Tallapoosa.		
	Counties in Tennessee, Mississippi, Louisiana, Oklahoma, Missouri, Texas, Arkansas, Illinois and Kansas.		

Corporation District No. 1 shall be composed of all counties in Georgia south of Harris, Talbot, Upson, Monroe, Jasper, Putnam, Hancock, Warren, McDuffie, and Columbia Counties, Georgia, all counties in the State of Florida, and all counties in the State of South Carolina.

Corporation District No. 2 shall be composed of all counties in the State of Georgia north of and including the Georgia counties listed in Corporation District No. 1.

Corporation District No. 3 shall be composed of all counties in the States of Alabama and Tennessee.

Corporation District No. 4 shall be composed of all counties in the State of Texas.

Section 1 (c). Redistricting. At least twenty (20) days prior to the primary elections hereinafter provided, the Board of Directors, by a majority vote, shall change the said districts and corporation districts and the counties included therein, provided the Board of Directors shall find that it is necessary to redistrict the territory in order to maintain equitable representation of the members on the Board.

Section 2 (a). Apportionment of Directors. The Directors shall be apportioned to the districts and corporation districts as follows:

There shall be nine (9) Directors who shall be designated as District Directors, one of whom shall be elected from each of the named districts. In addition to the District Directors, there shall be four (4) Directors who shall be designated as Corporation Directors, one of whom shall be elected from each of the named Corporation Districts.

Section 2 (b). Qualifications of Directors. In addition to the qualifications otherwise imposed by the law, the charter and these by-laws, the Directors shall possess the following qualifications:

(1) A District Director shall be a member of the Association residing in the District from which he is elected.

(2) A Corporation District Director shall be a duly elected Director of a cooperative corporation being a member of this Association and having its principal

office within the territorial limits of the corporation district from which he is elected.

Section 3 (a). Election of Directors. The Director shall be elected by the members of the Association at their regular annual meeting. Directors shall hold office until their successors have been elected and qualified.

Section 3 (b). Terms of District Directors. At the regular annual meeting to be held in 1964 the District Directors from Districts 7, 8, 9, and 10 shall be elected to serve for a term of three years; at the regular annual meeting to be held in 1965 the District Directors from Districts 1, 2 and 3 shall be elected to serve for a term of three years; at the regular annual meeting to be held in 1966 the District Directors from Districts 4, 5 and 6 shall be elected to serve for a term of three years; and thereafter there shall be elected each year to serve for a term of three years District Directors to succeed those District Directors whose terms expire in that year; provided, however, any Director holding such office by virtue of an election held prior to 1964 shall continue until the expiration of the term for which he was so elected.

Section 3 (c). Terms of Corporation District Directors. At the regular annual meeting to be held in 1966 the Corporation District Director from Corporation Districts 3 and 4 shall be elected to serve for a term of three years; at the regular annual meeting to be held in 1967 the Corporation District Director from Corporation District 1 shall be elected to serve for a term of three years; at the regular annual meeting to be held in 1968 the Corporation District Director from Corporation District 2 shall be elected to serve for a term of three years; and thereafter there shall be elected each year to serve for a term of three years Corporation District Directors to succeed those Corporation District Directors whose terms expire in that year; provided, however, that any Corporation District Director holding such office by virtue of an election held prior to 1966 shall continue until the expiration of the term for which he was so elected.

Section 3 (d). Election of District Directors. A primary election shall be held annually in each district in which a vacancy in the Board of Directors will occur,

not less than ten (10) days prior to the regular annual meeting of the members, which primary election shall be conducted by mail under rules and regulations prescribed by the Board of Directors, under the following plan:

The Board of Directors shall appoint an election committee which shall cause to be mailed to each member in the district at his last known address, a nomination ballot providing for the nomination of one person by each member, to be the Director for that district. The nomination ballots shall be mailed by the members voting to the election committee. The election committee shall count the ballots. If any person receives a majority of the votes cast, then that person shall be the nominee for that district. If no person receives a majority of the votes cast, then the election committee shall send a ballot to each of the members of the district, which ballot shall bear the names of the two (2) persons receiving the highest number of votes in the primary election. Members shall then vote between the two names on the ballot sent out by the election committee, which ballot shall be mailed to the election committee, and counted by the election committee, and the person receiving the highest number of votes shall be the nominee for the district. The nominee for each district shall be deemed elected as the Director for such district, and his election shall be ratified at the next regular meeting of the Association.

Section 3 (e). Election of Corporation District Directors. A primary election shall be held annually in each district in which a vacancy in the Board of Directors will occur, not less than ten (10) days prior to the regular annual meeting of members, which primary election shall be conducted by mail under rules and regulations prescribed by the Board of Directors, under the following plan:

The Board of Directors shall appoint an election committee which shall cause to be mailed to each member association in the district a nomination ballot providing for the nomination of one person by each member association, to be the director for that district. The nomination ballots shall be mailed by the member associations voting to the election committee. The election committee shall count the ballots. If any person receives a majority of the votes cast, then that

person shall be the nominee for that district. If no person receives a majority of the votes cast, then the election committee shall send a ballot to each member association of the district, which ballot shall bear the names of the two persons receiving the highest number of votes in the primary election. Members shall then vote on the two names on the ballot sent out by the election committee, which ballot shall be mailed to the election committee and counted by the election committee, and the person receiving the highest number of votes shall be the nominee for the district. The nominee for each district shall be deemed elected as the director for such district, and his election shall be ratified at the next regular meeting of the Association.

Section 3 (f). Election of Directors at Large. In addition to the other directors provided for above, three directors at large may be nominated and elected at any annual meeting of the Association. Each of said three directors shall be a member of the Association. One shall be engaged in the growing of cotton, one shall be engaged in the growing of pecans, and one shall be engaged in the growing of peanuts. At the first annual meeting at which said three directors are elected, one may be elected for one year, one for two years, and one for three years. Thereafter, each of said directors may be elected for a three year term, but each director shall serve until the election and qualification of his successor, unless sooner removed by death, resignation or for cause.

Section 4. Vacancies. Whenever a vacancy occurs in the Board of Directors, other than by expiration of term, such vacancy shall be filled by a majority vote of the Board of Directors at the next regular or special meeting of the Board after the vacancy occurs. The new director so elected shall hold office for the remainder of the term for which his predecessor has been elected and qualified, but such election must be ratified by the next regular meeting of the membership of the Association. Any Director who ceases to be a member of the Association shall cease to be a member of the Board as soon as the majority thereof passes a resolution to such effect, as provided by law.

Section 5. Regular Meeting of Directors. Immediately after incorporation and thereafter immediately after

each annual meeting of the members, the Board of Directors shall hold a regular meeting and organize, by the election of a President, a Senior Vice President, an Executive Vice President, a Vice President and Assistant General Manager, a Vice President for Marketing, a Vice President for Finance, a General Manager, a Secretary and a Treasurer, and may transact any other business. The Executive Vice President, Vice President and Assistant General Manager, Vice President for Marketing, Vice President for Finance, General Manager, Secretary and Treasurer need not be members of the Association. Such officers shall hold office at the will of the Board of Directors.

Section 6. Special Meeting of Directors. A special meeting of the Board of Directors shall be held whenever called by the President, or by a majority of the Directors. Unless otherwise specified in the call for the meeting, any and all business may be transacted at a special meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the Secretary, and shall state the time and place of such meeting.

Section 7. Notice of Regular and Special Meetings. Notice of each regular and special meeting of the Directors shall be mailed to each Director, at his last known address, at least five (5) days prior to the time of such meetings, or may be given by telegraph, at least three (3) days prior to the time of such meeting.

Section 8. Quorum. A majority of the Directors shall constitute a quorum on the Board of Directors at all meetings.

Section 9. Compensation. The directors and members of the Executive Committee shall receive no compensation for their services other than reimbursement for actual expenses incurred in traveling to and from meetings of the Board of Directors or other official meetings or conferences, and a per diem of $100, with a $200 minimum, plus expenses incurred while attending such meetings or conferences.

Section 10. No relative of any member of the Board of Directors shall be employed in any capacity by the Association.

ARTICLE III

Powers of Directors

The Directors shall have the power:

(1) To conduct, manage, and control the affairs and business of the Association, and to make rules and regulations for the guidance of the officers and management of its affairs;

(2) To appoint and remove all officers, agents and employees of the Association, prescribe their duties, fix their compensation, and may require from them bond in such form and in such amount as may be deemed necessary.

(3) To select one or more banks to act as depository of the funds of the Association and to determine the manner of receiving, depositing and disbursing the funds of the Association, and the form of checks and the person or persons by whom same shall be signed, with the power to change such banks and the person or persons signing said checks and the form thereof, at will.

(4) To join with individuals, firms, partnerships or other associations or corporations to form a non-profit cooperative association, with or without capital stock, by entering into and executing agreements of merger or consolidation with any such entities, which power shall be exercisable without prior or subsequent approval by the members of this Association.

ARTICLE IV

Duties of Directors

It shall be the duty of the Board of Directors:

(1) To keep a complete record of all its acts and of the proceedings of its meetings, and to present a full statement at the regular annual meeting of the members, showing in detail the conditions of the affairs of the Association;

(2) To cause to be installed such a system of book-keeping and auditing that each member may know and be advised from time to time fully concerning the receipts and disbursements of the Association;

(3) To appoint a Manager, who shall hold office at the pleasure of, and on terms and conditions set by it. The manager cannot serve in the double capacity of Manager and Director;

(4) To carry out the marketing and/or purchasing contracts of the Association and the growers.

ARTICLE V

Duties and Powers of the Manager

The Manager, under the direction of the Board of Directors shall employ and discharge all employees, agents and laborers of the Association, and have general supervision and control over all of the activities and business of the Association subject to the orders of the Board of Directors, from time to time.

ARTICLE VI

Officers

The Officers of the Association shall be a President, a Senior Vice President, an Executive Vice President, a Vice President and Assistant General Manager, a Vice President for Marketing, a Vice President for Finance, a General Manager, a Secretary and a Treasurer, together with any other administrative officers whom the Board of Directors may see fit in its discretion to provide for by resolution entered upon its minutes. The office of Secretary and Treasurer may be held by one and the same person.

The Board may appoint Assistant Secretaries and Assistant Treasurers in its discretion, and may delegate to them any or all of the duties of the Secretary and the Treasurer hereunder, or any other duties. The compensation of all officers shall be fixed by the Board of Directors. The term of each officer of the Association shall be for a period of one year and until that officer's successor shall be elected.

The Board may appoint a Chairman of the Board of Directors who shall serve without compensation for a period of one year and until his successor shall be duly qualified or until the Board shall vote not to have a Chairman of the Board.

ARTICLE VII

Duties of Officers

Section 1. The President shall

(a) Preside over all meetings of the members and of the Board of Directors and Executive Committee, unless the Chairman of the Board so presides pursuant to the provisions of Section 3 of this Article VII.

(b) Call special meetings of the Board of Directors and perform all acts and duties usually required of an executive and presiding officer.

(c) Should the President be unable to act, then the Senior Vice President shall act, and in the event the Senior Vice President shall be unable to act, then the Board shall appoint a Director from among its number to act.

(d) To sign as President of the Association all contracts, notes and other instruments when so directed by the Board of Directors.

Section 2. The Secretary and Treasurer.

(a) The Secretary: It shall be the duty of the Secretary to keep a complete record of all of the meetings of the members of the Association, of the Board of Directors and the Executive Committee. He shall serve all notices required by law and by these by-laws, and shall make full report of all matters of business pertaining to his office to the members at the annual meeting. He shall perform such other duties as the Board of Directors may require of him from time to time.

(b) The Treasurer: It shall be the duty of the Treasurer to take general charge of all funds of the Association, under the direction of the Board of Directors, and to perform such other duties as may be required of him by the Board of Directors.

Section 3. Chairman of the Board.

(a) The Chairman of the Board may preside over all meetings of the members and of the Board of Directors if directed to do so either specifically or generally by the Board of Directors and may perform such duties as may be determined by the Board of Directors.

(b) The Chairman of the Board shall not be a member of the Board of Directors, shall not have the right to vote as a member of the Board of Directors, and shall not be obligated to perform any duties in order to retain the title of Chairman of the Board.

ARTICLE VIII

Executive Committee

At the first meeting of the Board of Directors, and thereafter at each annual meeting thereof, an Executive Committee of five (5) members, including the President and the Senior Vice President, shall be elected by the Board of Directors from among its members, for a term of one year. The Executive Committee shall have such duties and powers as may from time to time be prescribed by the Board of Directors.

ARTICLE IX

Annual Audit

An annual audit shall be made by a Certified Public Accountant, and a copy of such audit shall be filed with the Board of Directors. An annual financial statement shall be made available to members.

ARTICLE X

Books and Papers

The books of the Association and such papers as may be placed on file by vote of the members or Directors shall, at all times during business hours, be subject to the inspection of the Board, and of any member of the Association or his representative, duly authorized in writing.

ARTICLE XI

Meetings - Members

Section 1. Annual Meetings. An annual meeting of the members shall be held at the office of the Association during the period of time between November 1 and December 15, as the Board of Directors shall determine,

for the election of Directors and the transaction of such other business as may come before the meeting.

Section 2. Special Meetings. Except where otherwise prescribed by law or elsewhere in these by-laws, a special meeting of the members may be called at any time by the Board of Directors, and whenever one-tenth of the members shall sign a petition requesting that a meeting of the members be called and stating the specific purpose of such meeting, the Board of Directors shall call a meeting of the members. Each such call shall be in writing and shall state the time, place and purpose of such meeting. No business shall be transacted at a special meeting other than as it stated in the purpose of the call.

Section 3. Notice of Meeting. Notice of all meetings, annual and special, stating the time, place and purpose, shall be given all members at least ten (10) days prior to the date thereof by publication in a newspaper of general circulation, published at the principal place of business of the Association, and a copy of such notice shall be published in the CPA/Gold Kist News so that it will go to each member of the Association at least ten days prior to the date thereof.

Section 4. Quorum. At any meeting the members present, in person, or voting by mail, shall constitute a quorum for all purposes except when otherwise provided by law.

Section 5. No Proxy. Any member shall be permitted to vote at any meeting, in person, or by mail, but no proxies shall be voted in this Association.

Section 6. One Vote. Each member of the Association (whether person, firm, corporation, or cooperative association) shall have only one vote.

ARTICLE XII

General Provisions Concerning Members

Section 1. Members - Who Eligible. Any person, firm or corporation engaged in the production of farm commodities, including livestock and poultry, including the lessees or tenants, or the lessors or landlords, of land used for such production, provided such lessors or landlords receive all or part of the rental in farm products, and any cooperative association organized under

the cooperative marketing laws of this or any other state, is eligible to membership in the Association, except that membership may be denied in the discretion of the Board of Directors on a reasonable basis.

Section 2. Conditions of Membership. Any person, firm or corporation, eligible to membership under these by-laws, may apply for membership in such manner as may be prescribed by the Board of Directors. All members shall subscribe to a marketing and/or purchasing agreement, in a form prescribed by the Board of Directors, or shall sign some other document which by its terms embodies by reference the marketing and/or purchasing agreement then in effect and on file with the Secretary of the Association. The Board of Directors shall prescribe, from time to time, the general marketing and/or purchasing agreement then in effect, and shall cause one copy thereof to be executed by the President, attested by the Secretary and corporate seal of the Association, to be filed with the Secretary, and same shall be the general marketing and/or purchasing agreement of the Association until a new one is properly authorized by the Board of Directors, executed by the President as aforesaid, and filed with the Secretary. The Association may have different contracts with its members varying in terms and conditions of the contract of any member, provided the member assents thereto; and such modification, variation or alteration shall not affect the contracts between the Association and other members, nor shall the consent of other members be necessary to effect such modification or change.

The Board of Directors may admit as members of the Association any person, firm, or corporation properly qualified under these by-laws; and shall cause to be issued to each member so admitted a certificate of membership.

A member may withdraw on June 30 of any year by notifying the Association in writing of this intention, such notice to be given between the first and fifteenth of said month.

Section 3. This Association is organized without capital stock, for the purpose of serving its members and providing all of its facilities to them upon rules and regulations to be prescribed by the Board of Directors of the Association.

Section 4. Termination of Membership. If, following a hearing, the Board of Directors shall find that a member has ceased to be a cooperative association or a producer or a patron of this Association, the right of such member to a vote or voice in the affairs of the Association, shall be automatically suspended until such time as the Board of Directors may find that such member is again qualified for membership in the Association. Upon determination by the Board of Directors that a member has ceased to be a cooperative association, a producer or patron of the Association, the Association at its option may terminate the membership of such member in the Association.

If any member shall cease, fail, neglect, or refuse for any reason whatsoever to abide by terms of said marketing and/or purchasing agreement, then the Board of Directors may cancel his marketing and/or purchasing agreement, and/or his membership, and/or his certificate, and, if it chooses, expel him from membership in this Association.

The expulsion of any member or the cancellation of his marketing and/or purchasing agreement or any penalty imposed upon him for the breach of any of these by-laws shall be separate from, and in addition to, the provisions which may be included in the marketing and/or purchasing agreements in reference to liquidated damages, or other remedies. It is expressly understood that the Association may exercise any rights whatsoever under the said marketing and/or purchasing agreement for a breach of such agreements, and in addition, impose any penalty, or liquidated damages set forth in these by-laws for the express violation of a by-law.

The expulsion of any member shall not operate to release any other member from his contract with the Association; and shall not affect in any way the contracts of the remaining members of the Association.

If a member fails to deliver farm products to or purchase supplies from the Association for a period of three previous fiscal years, he shall be deemed inactive and shall remain on the inactive list until such time as he shall again deliver farm products to or purchase supplies from the Association. So long as any member is on the inactive list that member shall not be entitled to a vote or voice in the affairs of the Association.

Section 5. Property Rights. Inasmuch as all property held by the Association is represented by securities in the form of debentures or revolving fund certificates or by reserves or deferred patronage refunds with respect to all of which the interest of each member or patron is allocated on the books of the Association or susceptible of such allocation, the property rights and interest of all members shall be in accordance with the debentures or revolving fund certificates held by them and their allocable interests in reserves or deferred patronage refunds, all as shown by the books and records of this Association.

The property rights of a member in the Association are non-assignable and nontransferrable; however, they shall upon the death of a member be succeeded to be his estate; and during the lifetime of a member he may, with the consent of the Board of Directors, assign and transfer his said property rights on such conditions as the Board of Directors shall determine.

In the event any member shall cease to be a member he shall nevertheless retain his property rights hereunder and shall be entitled to receive payment thereof at the same time and to the same extent as would have been the case had he remained a member. If after termination of his membership, any person shall demand payment of his property rights, and in the event the laws of the State of Georgia require the payment of such property rights to such former member, the then present value of said property rights shall be determined by the Board of Directors after due allowance for the probable due date to members and the risk of losses occurring before such probable due date.

ARTICLE XIII

Borrowing Money

Section 1. The Association shall have the power, by affirmative vote of a majority of its Directors, in attendance at any meeting at which a quorum is present, to borrow money for any corporate purposes on open account, or on the promissory note of the corporation, unsecured, or secured by any assets of the Association or any property of members in its possession, or upon any accounts thereof, or any property not yet distributed to the members in such amounts and upon such terms and conditions as may from time to time seem to the Board of Directors advisable or necessary.

ARTICLE XIV

Marketing and Pools

The Board of Directors of the Association, in its conclusive discretion, shall have the right and power to provide pools and/or other services through which the members of the Association may sell their farm products or purchase their supplies; and shall, from time to time, have the right to make such rules and regulations as it may deem proper, governing all of said pools, options, and purchases, and to allocate expenses as it may in its conclusive discretion deem equitable. If any such pools and/or other services are not provided for in the written marketing and/or purchasing agreement, the Board of Directors may, nevertheless, provide for the same by a resolution passed at any regular or special meeting and duly entered upon its minutes thereof. The members agree to observe all such rules and regulations and to be bound thereby, and the failure to do so shall be grounds for expulsion from membership.

ARTICLE XV

Membership Certificate

This Association shall issue a certificate of membership to each member, who has entered into a marketing and/or purchasing agreement, in such form as may be provided by the Directors; but said membership shall not, nor said certificate thereof, be assigned by any member to any other person; nor shall a purchaser at execution sale, or any other person who may succeed by operation of law or otherwise, to the property interests of a member, be entitled to membership, or to become a member of the Association by virtue of such transfer. The Board of Directors of the Association may, however, consent to any assignment and transfer and the acceptance of the assignee or transferee as a member of the Association. The Board may establish reasonable rules and regulations authorizing the acceptance of a transferee and recognizing as a member the purchaser of a member's land or lease, who acquires such member's certificate of membership after signing a marketing and/or purchasing agreement; and determine the conditions under which the executor or administrator of a deceased member may continue as a member representing such deceased members; and the requirements for the issuance

and transfer of an appropriate membership certificate to the successor or successors in interest of such member's land or lease and, likewise, the condition for transfer of rights and certificate to a purchaser at execution sale or any successor by operation of law.

ARTICLE XVI

Seal

The seal of the Association shall contain these words "The Cotton Producers Association"; said seal shall be in circular form, and in the center of the circle shall be the word "SEAL".

ARTICLE XVII

Liability of Members

Except for debts lawfully contracted between him and the association, no member shall be liable for the debts of the Association.

ARTICLE XVIII

Patrons' Equities

Section 1. Determination of Margins. (a) This Association shall be operated for mutual benefit of its patrons. The books and records of the Association shall be kept in such manner that the amount of annual margins from all sources and the patronage of each person (member or nonmember) employing the facilities of the Association may be ascertained. The operating expenses shall include all costs paid or incurred by the Association together with reasonable allowances for depreciation and bad debts. The several operations conducted by the Association shall be separated between marketing and purchasing and, within each such category, may be grouped in such manner as the Board of Directors may determine. The Board's determination both as to the amount and as to the allocation of all operating expenses shall be conclusive. The amounts remaining after deducting from gross receipts all advances, costs of goods purchased and all operating expenses are the net margins. Such net margins or excess proceeds shall at all times be the property of the patrons and not the property or profits of the Association.

Section 2. Refund of Net Margins. All net margins shall be refunded annually, on a patronage basis, in cash or in such other form as hereinafter provided. Such refunds shall be made separately with respect to the marketing and purchasing operations, and within each such category may be made separately, or grouped in such manner as the Board of Directors may determine. For example, net margins for the Cotton Division may be distinguished from those arising from the Pecan or other marketing division; and one purchasing department may be distinguished from another. Patronage may be measured by dollar volume or by units, as the Board may determine to be appropriate in each case, and the Board's determination of the unit to be used shall be conclusive. The Board of Directors may appropriate out of the net margins or undistributed proceeds realized on business done with patrons such sums as are necessary for the establishment of or additions to reserves for contingencies, working capital, or any other necessary purposes of the business as in accordance with their discretion may seem necessary or prudent, or as may be required by law, and the equity of each patron, determined on a patronage basis, in amounts so appropriated, shall be clearly indicated in the books or records of the Association, in one or more of the forms hereinafter provided.

Section 3. Revolving Fund Certificates. To provide a means whereby its current and active members will finance the Association, refunds of net margins may be made in the form of revolving fund certificates to be issued during, or within eight and one-half months after the close of the year to which such patronage relates. Funds arising from the issue of such certificates shall be used for creating a revolving fund for the purpose of building up such amount of capital as may be deemed necessary by the Board of Directors from time to time and for revolving such capital, and such funds shall, when in the opinion of the Board of Directors of the Association such funds are not necessary for the proper financing of the operations of the Association, be devoted to the refunding of the oldest outstanding revolving fund certificates. Such certificates may contain such other terms and conditions not inconsistent herewith as may be prescribed from time to time by the Board of Directors of the Association. Such certificates shall be issued in annual series, each certificate in each series upon its face being identified by the year in which it is issued; and each series shall

be retired fully or on a pro-rata basis, only at the discretion of the Board of Directors of the Association, in the order of issuance by years (including all such certificates as may have been issued irrespective of the purpose of consideration for which issued) as funds are available for that purpose. Such revolving fund certificates shall bear such rates of interest and only such rates of interest as the Board of Directors of the Association in its sole discretion may from time to time prescribe without any obligation on the part of the Board of Directors and the Association to pay interest on such certificates, provided however that in no instance shall the interest rate exceed 8% or the legal rate, whichever is lower. A record of all holders of revolving fund certificates shall be kept and maintained by the Association. Such certificates shall be transferrable only on the books of the Association after the approval of two-thirds of the Directors of the Association present at the meeting at which the transfer of such certificates is considered and no transfer of certificates shall be binding upon the Association unless so transferred. All other debts of the Association, both secured and unsecured, shall be entitled to priority over all outstanding revolving fund certificates.

Section 4. Allocated Reserves. Refunds of net margins may be made in the form of allocated reserves with respect to which notice shall be given to patrons during, or within eight and one-half months after the close of, the year to which such patronage relates; and each such notice shall inform the patron of the dollar amount allocated to him. Such reserves may be retired in the same manner as provided in Section 3 hereof with respect to revolving fund certificates. Such allocated reserves shall be subordinate to the revolving fund certificates provided for in Section 3 hereof.

Section 5. Deferred Patronage Refunds. Refunds of net margins may be deferred for such time as the Board of Directors, in its discretion, deems necessary or prudent for the purpose of providing adequate capital with which to conduct the operations of the Association and to protect against future losses. Any such deferred patronage margins shall be subordinate to the allocated reserves provided for in Section 4 hereof. When payment is made of such deferred patronage refunds, the oldest outstanding (within any departmental or other classification specified for payment) shall be paid first but

deferred patronage refunds with respect to the patronage of any one year shall be considered as of identical age and if the amount available for payment is not equal to such deferred patronage refunds of a full year, payment shall be pro-rated. Such deferred patronage refunds shall be subordinate to all other indebtedness and all other forms of patrons' equities at any time outstanding.

Section 6. Individual Redemptions. Notwithstanding the provisions regarding priority of payment with respect to the oldest outstanding revolving fund certificates, allocated reserves, or deferred patronage refunds, the Board of Directors may authorize redemption, in individual cases, of such obligations.

Section 7. Subordination Clauses. The subordination clauses contained in Sections 3, 4, and 5 hereof are not intended, and shall not be construed, to prevent redemption, retirement or payment of any of the obligations or patrons' equities provided for by said sections, unless the Association is declared insolvent.

Section 8. Obligation to Refund.

(a) Anything in these by-laws to the contrary notwithstanding, with respect to the fiscal year commencing July 1, 1952, and each fiscal year thereafter, it shall be the obligation of the Association to make patronage refunds in cash or in one or more of the forms provided by Sections 3 and 4 hereof or to pay out deferred patronage refunds described in Section 5 hereof, in such amount that the aggregate thereof distributed within such year and within eight and one-half months thereafter shall be at least equal to the total net margins for such year.

(b) With respect to the fiscal year commencing July 1, 1963, and each fiscal year thereafter, it shall be the obligation of the Association to pay within such year and within eight and one-half months thereafter at least 20% of such patronage refunds for such year in money or by qualified check (as defined in 26 U. S. C. 1388 and any amendments thereto).

Section 9. Losses. In the event of a loss to the Association from any cause whatsoever, the Board of Directors of the Association may carry same forward to apply against the margins of future years or may charge all or part of such loss against the balance of the

deferred patronage refunds for such year or years as the Board may consider appropriate; or the Board may make such charges against the allocated reserves or the revolving fund certificates provided for in Sections 3 and 4 hereof. In the event any loss be charged against such funds, the face value of each revolving fund certificate or of each allocated reserve or deferred patronage refund against which any loss has been charged shall be reduced by its proportionate part of the loss and there shall be payable in respect to any such revolving fund certificate or allocated reserve or deferred patronage refund against which a loss has been charged only the difference between the face value thereof as originally issued or recorded and the portion of the loss charged thereto.

Section 10. Consent of Members. Each person who after November 28, 1962, applies for and is accepted to membership in this Association, and each member of this Association on the effective date of this bylaw who continues as a member after such date, shall, by such act alone, consent that the amount of any distribution with respect to his patronage occurring after July 1, 1963, which are made in written notices of allocation (as defined in 26 U. S. C. 1388) and which are received by him from the Association, will be taken into account by him at their stated dollar amounts in the manner provided in 26 U. S. C. 1385(a) in the taxable year in which such written notices of allocation are received by him.

ARTICLE XIX

Dissolution

Upon the dissolution, liquidation or winding up of the Association in any manner, all debts and all outstanding debentures shall first be paid in full. Thereafter all outstanding revolving fund certificates shall be retired in full or on a pro-rata basis without priority. Thereafter all outstanding allocated reserves shall be retired in like manner followed by all outstanding deferred patronage refunds. Any amounts remaining after the payment of all indebtedness and all debentures, all revolving fund certificates, allocated reserves and deferred patronage refunds shall be distributed among all patrons in the proportion which the total dollar volume of the patronage of each bears to the total dollar volume of all patrons from the date of the incorporation of the Association.

In the event that this Association by resolution duly adopted by its Board of Directors shall at any time determine to transfer the property and assets of this Association to a successor association and shall designate such association as such successor, the transfer of said property and assets by this association to such successor shall not be considered a dissolution or liquidation within the meaning of this Article. Such successor association may be formed or exist under state or federal laws, provided only that it shall be in substance a farmers' non-profit cooperative marketing or purchasing association, and such designation thereof as successor association may take place through the formation of another association for the express purpose of succeeding to the property and assets of this association, or through the recognition of another existing association as successor association, or through merger, consolidation, or any corporate reorganization. In any event, however, the property rights and interests of the members of this Association and/or their voting powers and rights shall be recognized and preserved in some equitable manner in such successor association.

ARTICLE XX

Amendments

A majority vote of a quorum of the members attending a meeting of which notice shall have been given, shall be sufficient to adopt or amend the by-laws of this Association.

APPENDIX D

SAMPLE ORGANIZATION FORMS PRESENTLY IN USE

MEMBERSHIP AGREEMENTS AND COOPERATIVE SERVICE AGREEMENT[1]

MEMBERSHIP, MARKETING, AND/OR PURCHASING AGREEMENT of the COTTON PRODUCERS ASSOCIATION, ATLANTA, GEORGIA

The Cotton Producers Association, hereinafter called the "Association," and the undersigned hereinafter called the "Producer", agree as follows:

1. By signing this agreement, the Producer represents that he is a "producer" within the meaning of that word as used in Section 521 of the Federal Internal Revenue Code of 1954, as amended. Unless already a member of the Association, Producer applies for membership in the Association and agrees and consents to abide by the by-laws of the Association, with particular reference to, but not limited to, the following:

ARTICLE XVIII, SECTION 10. Consent of Members. Each person who after November 28, 1962, applies for and is accepted to membership in this Association and each member of this Association on the effective date of this bylaw who continues as a member after such date shall, by such act alone, consent that the amount of any distribution with respect to his patronage occurring after July 1, 1963, which are made in written notices of allocation (as defined in 26 U.S.C. 1388) and which are received by him from the Association, will be taken into account by him at their stated dollar amounts in the manner provided in 26 U.S.C. 1385 (a) in the taxable year in which such written notices of allocation are received by him. The signing hereof by the Association shall constitute an acceptance thereof.

2. This agreement shall automatically terminate immediately upon the producer ceasing to be a "producer" within the meaning of Section 521 of the Federal

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[1]Obtained directly from the offices of C.W. Paris, Executive Vice President and General Manager of The Cotton Producers Association.

Internal Revenue Code of 1954, as amended. Otherwise it shall continue in full force and effect for a period of ten years from date of acceptance by the Association, and will automatically renew itself thereafter, unless either party notifies the other in writing to the contrary. Either party may terminate this agreement effective on June 30 of any year, by notifying the other party in writing of this intention prior to the 15th of June of such year in which termination is desired.

3. The Association may enter into agreements with other Producers differing in terms from those contained herein but consistent with the charter and bylaws of the Association without invalidating this agreement, provided that the Producer at his request may sign a similar agreement as a substitute for this agreement.

4. The Association is authorized to exercise any powers conferred upon it hereunder through any central agency, cooperative or subsidiary of which it is or may become a member.

5. This agreement is subject to and includes all of the applicable provisions contained in the Association's charter and by-laws now or hereafter in effect. The parties agree that there are no oral or other conditions, promises, representations or inducements in addition to or at variance with any of the terms hereof; and that this agreement represents the voluntary and clear understanding of both parties fully and completely.

6. The Producer requests that the Association enter his subscription to the CPA-Gold Kist News for which he agrees to pay the subscription rate of fifty (50) cents per year upon receipt of bill, or the Association may deduct such amount from any patronage payment or refund due him each year.

7. In the event the Producer fails to deliver any of the products named below to the Association or purchase farm production supplies through the Association during a period of three years, due to nonproduction of said products or the sale of said products or the purchase of farm production supplies outside of the Association without the written consent of the Association, the Producer hereby agrees that he shall be placed on the inactive list of members of the Association until such time as he delivers some of the above products or

purchases some of the farm production supplies from the Association, and during the period he is on the inactive list of membership he hereby agrees that he shall not be entitled to a vote or voice in the affairs of the Association.

MARKETING CONDITIONS

8. The Producer agrees to deliver to the Association all Cotton, Grains, Seeds, Pecans, Peanuts, Poultry and Eggs produced by or for him or acquired by him as landlord or lessor, the said products to be delivered at such place or places as the Association may direct; the Producer likewise agrees to deliver to the Association such other agricultural products so produced as the Association from time to time may designate in writing at least ninety days before the date specified by the Association for the delivery thereof. Notwithstanding any provisions herein to the contrary, the Producer with the written consent of the Association may market all, or any part of his products otherwise. Provided, however, that nothing in this paragraph or this Agreement shall be construed to prevent the giving by the Producer of a valid mortgage, bill of sale to secure debt or other lien for the purpose of securing money and supplies to be used in making and gathering the particular crop on which such lien is given.

9. The Association shall make such advances to the Producer on such products delivered hereunder as in the discretion of the Association may be justified by marketing conditions.

10. This agreement is intended by the parties to transfer and assign to and to invest in the Association as agent, the title and right of possession to such agricultural products and the Association shall have the power to borrow money for any purpose of the Association on the security of the products delivered hereunder or on any evidence thereof or accounts arising from the sale thereof; and to give a lien thereon as the absolute owner thereof.

11. The Association is authorized to establish or adopt standards for such products and may make rules and regulations governing the handling, shipping, classing, grading, financing, pooling and selling thereof. The Association also shall be authorized to

allocate expenses of various agricultural products and pools in its conclusive discretion.

12. The Association agrees to see such products in the manner deemed by it to be most advantageous. The net amount received therefrom, determined after deducting (1) advances, (2) allocable operating and maintenance costs and expenses of the Association and (3) reserves in such amount as may be determined to be retained by the Association for operating capital or any other corporate purpose, shall be paid over to the Producer on a patronage basis in the form and manner provided in the by-laws of the Association. The reserves thus retained shall be evidenced by Revolving Fund Certificates or other written notices of allocation.

PURCHASING CONDITIONS

13. The Association agrees to act and the Producer appoints the Association as agent of the Producer to purchase or manufacture for and on behalf of the Producer under its own rules and regulations such machinery, equipment, fertilizer, feeds, seeds and other supplies as the Producer from time to time may direct, provided the same are such as may be advantageously handled by the Association in the interests of the Producer.

14. The Association shall pay over to the Producer on a patronage basis in the form and manner provided in the by-laws of the Association the net amount received by it in connection with such purchase or manufacture of machinery, equipment and supplies determined after deducting therefrom (1) costs of same, (2) allocable operating and maintenance costs and expenses of the Association and (3) reserves in such amount as may be determined to be retained by the Association for operating capital and any other corporate purpose. The reserves thus retained shall be evidenced by Revolving Fund Certificates or other written notices of allocation.

IN WITNESS WHEREOF the parties have set their hands and seals in duplicate this ________ day of ______________, 19__.
Accepted by: THE COTTON PRODUCERS ASSOCIATION

______________________ ______________________
Secretary Location

____
Producer's Signature

COOPERATIVE SERVICE AGREEMENT

THIS AGREEMENT made and entered into by and between The Cotton Producers Association, an agricultural cooperative association organized and operated under the Cooperative Marketing Act of Georgia, and having its principal office in Atlanta, Fulton County, Georgia, hereinafter referred to as "Cotton Producers Association", and ____________________ an agricultural cooperative corporation organized and operated under said Act or under an Act similar thereto, and having its principal office in _________________________, hereinafter referred to as "Service Association".

W I T N E S S E T H :

WHEREAS: Cotton Producers Association is engaged, among other things, in manufacturing, processing, purchasing and supplying fertilizer, feed, seeds, insecticides and other farm supplies and equipment, and

WHEREAS: Cotton Producers Association, because of its experience in such matters, is capable of providing managerial, financial, purchasing, bookkeeping and auditing services for and on behalf of its member associations, and

WHEREAS: Service Association desires to avail itself of such services,

NOW THEREFORE, in consideration of the premises, as well as in consideration of the mutual covenants and obligations agreed to be performed by the respective parties as hereinafter set forth, It Is Mutually Agreed As Follows:

1. By signing this agreement, Service Association, unless already a member, applies for membership in the Cotton Producers Association, and the signing hereof by the Cotton Producers Association shall constitute acceptance thereof.

2. Should Service Association from time to time require additional operating capital, it may make application therefor to Cotton Producers Association, in which event Cotton Producers Association agrees to furnish the same, if in its judgment funds are available therefor and sound business practices so warrant, and provided the security, rate of interest and terms of repayment are mutually satisfactory. In no event, however, shall the rate of interest exceed that allowed by law.

3. So long as it is indebted to Cotton Producers Association, Service Association, without the prior written consent of Cotton Producers Association, shall not (1) sell, mortgage or otherwise encumber any of its capital assets, (2) distribute any patronage refunds in cash, (3) sell or dispose of any commodities or farm supplies handled by it except for cash or upon terms approved by Cotton Producers Association, or (4) purchase or contract to purchase capital

assets, or otherwise incur any financial obligation in excess of one thousand ($1,000.00) dollars, except in payment of merchandise and current operating expenses.

4. So long as it is indebted to Cotton Producers Association, Service Association shall follow the accounting practices prescribed by Cotton Producers Association and shall permit accountants and other persons designated in writing by Cotton Producers Association to inspect its books, records, inventories and property whenever Cotton Producers Association deems it so advisable.

5. Service Association hereby appoints Cotton Producers Association as its agent to procure proper fidelity bonds covering Service Association's employees in such amounts as Cotton Producers Association deems necessary and from companies recognized by the Insurance Department of the State in which Service Association is domiciled. Service Association shall keep its buildings, inventories, machinery and equipment adequately insured against loss by fire, lightning and windstorm, and to this end shall procure on its own behalf necessary policies of insurance, furnishing certificates thereof to Cotton Producers Association, or when so requested by Service Association, such insurance shall be procured by Cotton Producers Association. The cost of all such insurance and bonds shall be borne by Service Association.

6. Because of its experience in employing and training cooperative personnel, Cotton Producers Association is authorized to employ, with the consent and approval of Service Association, a General Manager, and to fix his compensation for and on behalf of the Service Association. The Manager's compensation may be paid by Cotton Producers Association and charged to Service Association monthly.

7. Because of its long and successful experience in purchasing farm supplies and equipment for and on behalf of its members and in order to assure uniformity of grade and quality of the commodities and supplies handled by Service Association for the use and benefit of its farm members and others, Service Association hereby appoints Cotton Producers Association as its exclusive agent to purchase all commodities, machinery, equipment and farm supplies handled by Service Association, and in this connection Cotton Producers Association is authorized to purchase from itself such commodities and supplies as are manufactured, processed or handled by it. In the event, however, Service Association deems it advisable or advantageous to do so, it may purchase commodities and supplies on its own account from or through others, after first obtaining the written consent of Cotton Producers Association.

8. For the services rendered and agreed to be rendered by Cotton Producers Association in pursuance hereof, Service

Association shall pay to Cotton Producers Association, in addition to the interest charged with respect to any financing services, a monthly service fee based upon Service Association's gross dollar volume of sales during the preceding months, computed in accordance with the following uniform schedule:

Gross Dollar Volume Per Year		
First	$100,000	1%
Second	$100,000	3/4 of 1%
Above	$200,000	1/2 of 1%

9. Where local marketing facilities are owned by Cotton Producers Association and the local association is paid a service fee by CPA for handling these marketing functions, CPA reserves the right at its discretion to send in its own personnel to operate such marketing functions if in the judgment of the Marketing Division the local association has failed to properly perform marketing services.

10. This agreement shall remain in full force and effect during the current fiscal year ending ______________, ________, and shall continue from year to year thereafter; provided, however, either party hereto may terminate the same by giving sixty days' written notice to the other party of its intention so to do, and provided that Service Association may not terminate as long as it is indebted to Cotton Producers Association.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed in their respective names, on their behalf and under their corporate seals, this _____ day of _________________, 19__.

Attest: ______________________________
(Name of Association)

________________________ By ______________________________

Attest: COTTON PRODUCERS ASSOCIATION

________________________ By ______________________________

THE COTTON PRODUCERS ASSOCIATION
GOLD KIST POULTRY DIVISION

____
City and State

SERVICING AGREEMENT
HATCHING EGG FLOCK ____________________19____

This is an Agreement between Gold Kist Poultry, A Division of The Cotton Producers Association, a cooperative marketing association (hereafter called "Hatchery"), and ________________, residing at ____________, ______________ (hereafter called "Producer").

Hatchery is engaged in the business of furnishing chicks, feed, medicines, vaccines, health tests, supplies and management advice in the raising of flocks of chicken to produce hatching eggs. Producer has land, buildings, equipment and labor to service the raising of such flocks. Hatchery wishes Producer to furnish such services and Producer is agreeable thereto. The purpose of this Agreement is to establish the terms and conditions under which those services are to be furnished with respect to the Flock described herein.

The "Flock" is described as follows:

____

____

A. HATCHERY AGREES:

(1) Flock will be from the best quality breeding reasonably obtainable. Hatchery will deliver Flock to Producer's chicken house at approximately 10 weeks of age.

(2) On being notified of the need therefor by the Producer or on its own motion, Hatchery will deliver and furnish feed, medicines and other supplies to grow and maintain Flock.

(10 week to market contract)
Revised 7-1-68

(3) Approximately once a week, Hatchery's local supervisor will call upon Producer and offer counsel and advice in the growing and management of Flock in accordance with best standards currently acceptable in the industry.

(4) For growing pullets and cockerels to healthy production size (culled according to best standards currently acceptable in the industry), Hatchery will pay Producer as follows:
   (a) If chicks are hatched from March 1 to October 1, and placed with Producer at 10 weeks of age, Producer will receive 9¢ per bird living at 20 weeks of age.
   (b) If chicks are hatched from October 1 to March 1 and placed with Producer at 10 weeks of age, Producer will receive 10¢ per bird living at 20 weeks of age.

(5) When the Flock begins to produce eggs, Hatchery will pick up eggs produced at least twice a week and will pay Producer weekly for servicing that production at the following rates:
   (a) For eggs acceptable to Hatchery as hatching eggs (among other things, must weigh at least 22 ounces per dozen and include no double yolks) 9¢ per dozen.
   (b) For eggs not acceptable to Hatchery as hatching eggs but acceptable for sale as commercial eggs, 5¢ per dozen.
   (c) For rots, broken or unsalable eggs, no payment.

(6) Hatchery will make incentive payments for high hatchability according to the attached schedule marked Exhibit A.

(7) When, according to best standards currently acceptable in the industry, the Flock is no longer adequately productive of hatching eggs, Hatchery will arrange for sale of Flock and will pay Producer the incentive payments, (if any) computed under the following feed conversion table relating to pounds of feed consumed by Flock while in the custody of pullet and hatching egg producer to dozens of hatching eggs produced by Flock.

Pounds of Feed per Dozen Eggs Size 22 to 30 Ounces	Cents per Dozen
1. When feed conversion is 10.0 to 10.32	1 1/2¢
2. When feed conversion is 10.33 to 10.65	1 1/4¢
3. When feed conversion is 10.66 to 10.99	1¢
4. When feed conversion is 11.0 to 11.32	3/4¢
5. When feed conversion is 11.33 to 11.65	1/2¢
6. When feed conversion is 11.66 to 11.99	1/4¢
7. When feed conversion is 12.0 or above, no payment will be made.	

B. PRODUCER AGREES:

(1) Producer will receive and service Flock and provide adequate facilities and labor properly to care for, house and service Flock to include the following:

(2) Producer will provide a fully enclosed, weather-tight feed and supply room of sufficient size to store at least one week's supply of feed in bulk and keep the same dry.

(3) Producer will provide a fully enclosed, weather-tight egg room equipped with mechanical refrigeration equipment to maintain the temperature between 60-65° and mechanical humidifier to keep the air moist, together with equipment needed in the collection, grading, casing and storing of eggs until picked up by the Hatchery. The producer will assist in the loading of eggs on hatchery truck at the time of pick up.

(4) Producer will competently feed, water, medicate and care for Flock and will gather, store, grade, case and protect eggs produced, keeping hatching eggs separate from commercial eggs and rejects; will assist in the moving, blood testing, vaccinating and banding of birds and dispose of sick, culled, and dead birds in a sanitary manner, according to best standards currently acceptable in the industry. In addition, Producer will furnish and supervise adequate competent labor to perform all of the above service in timely fashion, except labor for moving, blood testing, vaccinating and banding which will be furnished by the Hatchery. Producer will furnish heat, lights and water needed in the process.

(5) Better to control disease and like hazards, Producer will neither keep nor allow others to keep on the subject property or farm, any poultry whatever except for Flock, replacements to Flock or other flocks grown under like agreements with Hatchery.

(6) Producer will retain Flock and keep the same segregated from all other poultry and other flocks so long as the Flock produces eggs at a rate in excess of 50% of its number per day, *provided* that should Flock fail to produce said 50% or on blood tests fail to meet the National Poultry Improvement Plan Specification for a rating of "Pullorum-Typhoid and Mycoplasma-Gallisepticum clean", Hatchery may at its option consider the Flock as commercial poultry and remove and sell the same.

C. BOTH PARTIES AGREE:

(1) For each Flock, Hatchery will maintain a separate account.

(a) Hatchery will charge to the same all expenses connected with growing Flock, including cost of chicks, feed, medicines, vaccines, legbands, blood test charges and other expenses incidental to growing Flock and all monies paid to Producer hereunder for growing the Flock, for eggs and on sale of the Flock Par. A (4), (5), (6), and (7).

(b) The price charged for standard feeds will be eighty five dollars ($85.00) per ton. Additional cost will be added for medicines and special mixes not customarily used in hatchery feeding program.

(c) Hatchery will credit to the account value derived from the sale or use of all eggs produced by Flock and by the sale of Flock itself. The value attached to hatching eggs used by Hatchery will be 60¢ per dozen. The value of other eggs and of Flock itself, will be derived from the actual sales price thereof.

(d) On final sale of Flock, the aforementioned account will be balanced and if the charges to the account exceed the credits, Hatchery will assume the loss, but to the extent that the credits exceed total charges, Producer will receive 60% of the excess and Hatchery will retain 40% of excess credits.

(2) If at any time, according to best standards currently acceptable in the industry, the services of Producer are deemed inadequate in any particular, Hatchery may terminate this Agreement without notice to Producer and remove its property

from Producer's premises. In that case, Producer will be entitled only to payments actually earned prior to termination under the provisions of Par. A (4), (5), (6), and (7).

THE COTTON PRODUCERS ASSOCIATION
GOLD KIST POULTRY DIVISION

By:____________________________

ACCEPTED:

____

PRODUCER

EXHIBIT A

HATCHABILITY SCHEDULES

Attached and Made Part of Servicing Agreement - Hatching Egg Flock between Gold Kist Poultry, A Division of Cotton Producers Association

By________________________________ and
Hatchery

____
Producer

This date______________________19___

Under Schedules 1, 2 and 3, the word "hatchability" means the percentage of hatching eggs delivered to Hatchery under the above Servicing Agreement which are successfully hatched and sold as No. 1 chicks by Hatchery during any given week. Under Schedule 4, the word "hatchability" means the percentage of hatching eggs delivered to Hatchery under the above Servicing Agreement which are successfully hatched and sold as No. 1 chicks by Hatchery during the entire production period of Flock.

SCHEDULE 1

BREED _____ Cockerel ________ X Arbor Acre L-50 ______________

_____ Cockerel ________ X Pilch ______________

_____ Cockerel ________ X ______________ ______________

When hatchability ranges from 73% to 83%, Producer will receive the base payment for producing hatching eggs as stated in Paragraph A (5) of Servicing Agreement.

For each percent above 83% hatchability, Producer will receive an additional bonus of 1/2¢ per dozen eggs above the base payment.

Each percent below 73% hatchability, Producer will receive 1/2¢ per dozen less than the base payment.

SCHEDULE 2

BREED	HATCHABILITY
Arbor Acre - L50	83%
Pilch White Rock	83%
________________	83%

On final sale of Flock, Producer will be paid 1/2¢ per dozen of all hatching eggs produced by Flock if the above applicable hatchability percentages are exceeded.

THE COTTON PRODUCERS ASSOCIATION
ATLANTA, GEORGIA

SMALL GRAIN SEED GROWING AGREEMENT

Agreement #____________

THIS AGREEMENT, made this ________ day of __________, 19____, by and between Cotton Producers Association, an agricultural cooperative association organized and operated under the Cooperative Marketing Laws of Georgia, hereinafter called "CPA" and _________________, a resident of ________ County, State of _________________, hereinafter called "Grower."

W I T N E S S E T H:

WHEREAS, CPA is engaged, among other things, in securing _________________ seed for its patrons, and

WHEREAS, CPA is desirous of producing _____________ variety of _______________ seed from foundation stock, and

WHEREAS, Grower is desirous of buying from CPA the foundation seed needed for his use in planting for producing _____________ variety _____________ seed and

WHEREAS, Grower is desirous of obtaining a market for the seed which he produces;

NOW THEREFORE, in consideration of the premises, as well as in consideration of the mutual covenants and obligations agreed to be performed by the respective parties as hereinafter set forth, it is mutually agreed as follows:

1. Grower agrees to make available ______ acres of land situated on his farm in __________ County, State of _____________ for the purpose of producing _____________ variety _____________ seed to be sold to CPA. Grower agrees to keep said crop isolated from all other varieties of said crop by at least 25 feet.

2. CPA agrees to sell to Grower and Grower shall buy from CPA the foundation seed stock necessary to plant the acreage referred to in paragraph No. 1 above. The sales and purchase price of the foundation seed stock will be $__________ per bushel.

3. Where Grower does not pay CPA in cash for breeder seed at the time they are furnished Grower agrees to give CPA a promissory note for the full amount. The note shall mature on ______________, 19____. Notwithstanding the maturity date, the Grower agrees that the full principal amount may be deducted by CPA from the proceeds of the first seed delivered to CPA.

4. Grower agrees to plant the above specified acreage at a time and in a manner satisfactory to CPA, using the foundation seed stock referred to in Paragraph No. 2 above.

5. Grower agrees to apply grades and quantities of fertilizer and fertilizer materials at times and in accordance with CPA's recommendations.

6. Grower agrees to sell to CPA and CPA agrees to buy from Grower all ____________ seed harvested from the above specified acreage at the prevailing price delivered to ______________.

7. Grower agrees that in case ___________ seed crop does not meet CPA's specifications, CPA is relieved of its obligation to buy any of the seed grown under this contract.

8. In the case of crop failure due to weather, insects, or any other conditions beyond the control of either party, this agreement becomes null and void, except that Grower is not relieved of his obligation to pay CPA for the foundation seed stock referred to in Paragraphs No. 2 and No. 3 above.

IN WITNESS WHEREOF, we have set our hands and seals hereto, this ______________ day of _______________, 19____.

____
(Name of Grower)

Witness:

____

____
(Address of Grower)

Witness:

____

COTTON PRODUCERS ASSOCIATION

BY____________________________

APPENDIX E

DATA ON OFFICERS

BIOGRAPHICAL SKETCHES OF THE TOP MANAGEMENT AND CORPORATE OFFICERS OF THE COTTON PRODUCERS ASSOCIATION

(Arranged in Alphabetical Order)

Brooks, David W. (D. W.)—Chairman of the Board of Directors

Born at Royston, Georgia, in 1903, the son of a farmer, Brooks attended the University of Georgia receiving the degree, Bachelor of Science in Agriculture in 1922 and the degree, Master of Science in Agriculture the following year. Upon completing his education, he taught in the Agronomy Division at the university for several years. In 1933 he was instrumental in the formation of the Georgia Cotton Cooperative Association, the forerunner of The Cotton Producers Association. He has devoted his life to CPA and served as General Manager throughout the first thirty-five years of its existence. Effective June, 1968, he retired from day-to-day management and was promoted to the newly created position of Chairman of the Board. He continues to serve as an advisor to the present active management.

He has been an aggressive leader in agriculture since the formation of CPA. Having served on four Presidential agriculture advisory committees, he has exerted an influence on policy at the national level as well as regionally. He was also a delegate to the American Assembly at Arden House,

Harriman, New York, organized in 1954 to consider changes in the United Nations charter.

Brooks is Vice President of the National Cotton Council of America and a director in the following organizations: Cooperative Fertilizers International, Chicago, Illinois; Foundation for American Agriculture, Washington, D. C.; and the Georgia Southern & Florida Railway. He served as a director for Agricultural Missions, Inc., New York, from 1959-1967 and for the National Council of Farmer Cooperatives, Washington, D. C.; between 1943 and 1968. He was President of the latter organization in 1951 and 1952. For his outstanding record of service to agriculture, he was named "Man of the Year in Agriculture in Georgia" for 1950 by *Progressive Farmer* and "Man of the Year in Agriculture in the South" for 1966 by that publication. He is also a member of the Agricultural Hall of Fame, Kansas City, and is a member of the Board of Governors of that organization.

His record of service to the community parallels that achieved in agriculture. He has continually been active in education and is a trustee of Emory University, Wesleyan College, Reinhardt College, Lake Junaluska Assembly, Inc., and the University of Georgia Foundation. Moreover, he is Chairman of the Committee of One Hundred, Emory University.

Active in church work, Brooks is a member of the Board of Managers, the Executive Committee, and the Board of Missions of the United Methodist Church and Vice President of the World Division of that association. He is an active lay leader and has been a delegate to the Methodist General Conference.

* * * * * * * * * * * *

Burson, G. Allen—Director, Purchasing Division

Burson, a native of Camilla, Georgia, was graduated from the University of Georgia with the degree, Bachelor of Science in Agricultural Engineering during World War II and entered military service. Following the war, Burson joined CPA as a trainee and later became the manager of the Farmers' Mutual Exchange, Gainesville, Georgia, and subsequently, District Manager for Southwest Georgia.

He came to the Atlanta office from the management of the Cordele fertilizer plant as the Director of Plant Food Distribution in 1956. In 1960 he was promoted to Director of the Plant Food Department. Burson was made Director of General Distribution upon the retirement of J. Julian Baker in 1966. This was followed, in 1967, by his promotion to his present position.

Burson is a member of the Board of Directors for Central Farmers Fertilizer Company, Chicago; a shareholder Representative in United Co-operatives, Inc., Alliance, Ohio;

and a member of the operating committee for Farmers Chemical Company, Tyner, Tennessee.

He has been active in civic and church work and presently is a Steward of the North Decatur Methodist Church, Decatur, Georgia. Burson has also served as Chairman of the Official Board of that church.

* * * * * * * * * * * *

FunderBurk, C. B.——formerly Treasurer

A native of North Georgia, FunderBurk, upon graduation from Rome High School, Rome, Georgia, attended the Georgia Institute of Technology and was then employed by area cooperatives for several years. In 1933, upon the formation of CPA, he was elected the first treasurer of the organization, a position he was to hold until his retirement on November 1, 1965. The experience he had gained in the management of farmer cooperatives prior to his association with CPA proved invaluable since the financing of cooperative ventures is a complex and confusing activity.

During his career, FunderBurk has served on numerous committees of the U. S. Department of Agriculture and has held a number of posts in farmer cooperative organizations. Since January 1, 1965, he has been a director of the Farm Credit Banks of Columbia, Columbia, South Carolina. As a member of this seven-man board, he also serves as a director in: The Federal Land Bank of Columbia; The Federal

Intermediate Credit Bank of Columbia; and the Columbia Bank for Cooperatives. He is also a member of the Board of Directors of the Federal Crop Insurance Association, Washington, D. C. FunderBurk has been President of the Georgia Council of Farmer Cooperatives and as a member of the National Council of Farmer Cooperatives has sponsored and ardently supported various programs for youth.

As one of the founders of The Cotton States Insurance Companies, and the only President of that group of companies up to this time, FunderBurk has been an officer and member of various insurance associations. He is a former president of the Georgia Association of Mutual Insurance Companies and of the National Association of Mutual Insurance Companies as well.

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Gaston, William W.—Vice President, Marketing

Born in Chester County, South Carolina, Gaston attended Presbyterian College and graduated from Clemson University with a Bachelor of Science degree in Agricultural Economics and Animal Husbandry. While in college, he was a member of Alpha Zeta honorary agricultural fraternity.

During the Summer, 1948, he worked with the United Fruit Company in Panama, Central America. In August, 1949, Gaston entered the training program of CPA. The majority of the next ten years was spent in the Grain Division,

during which time he served as Assistant Manager of the Waynesboro elevator and then as Manager. In July, 1960, he was made the director of the Grain Division. The following year, Gaston was promoted to the position of Assistant to the General Manager of The Cotton Producers Association. His promotion to his present position came in 1965.

Gaston is a member of the Board of Directors in: Growers Finance Company, Phoenix, Arizona; National Federation of Grain Cooperatives, Washington, D. C.; Producers' Export Corporation, Kansas City, Missouri; Georgia Cotton Warehouse & Compress Association; and Soy-Cot Sales, Chicago, Illinois.

In addition to his involvement in work-related activities, Gaston is a leader in religious and civic projects. He serves as an Elder in the Presbyterian Church.

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Hill, Roger E.—Vice President, Finance

Hill, a native Georgian, was graduated from The Georgia Institute of Technology with the degree of Bachelor of Science in Commerce in 1935. After spending one year as an employee of B. F. Goodrich Tire Company, he went to work for Economy Auto Stores, Atlanta, Georgia. Following a succession of advancements over the years, he became President of Economy Auto Stores in 1958 and remained in

that position until the merger of that organization with the McCrory Corporation in early 1962. Under provisions of the merger, Hill was to remain in the merged company for a period of time to effect a smooth transition in management.

Accordingly, in the middle of 1963, he severed his relationship with Economy Auto Stores and became employed by CPA. Hill spent time learning the operations of this organization and in 1965 was promoted into his present position which had been created at the time of the retirement of FunderBurk.

Hill is active in civic projects, particularly the United Fund program, in addition to his industry association activities.

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Lee, Quentin S.—Director of Plant Food Services

Born in Crisp County, Georgia, in 1921, Lee attended the University of Georgia between 1938 and 1942 where he earned the degree of Bachelor of Science in Agriculture. From 1942-1946 he served in the U. S. Army. Following his release to the U. S. Army Reserves, in which he currently holds the rank of Lt. Colonel, he returned to the University of Georgia and earned the degree of Master of Science in Agriculture. Lee was then employed by the Bureau of Reclamation, Department of the Interior, from January, 1948, through May, 1953. He entered the CPA training program on

June 1, 1963, and was after training placed in the Plant Food Department. Having served in a variety of positions in this department, he was promoted to his present position in 1966.

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Mobley, Ralph D.—Assistant Manager, Gold Kist Poultry

A native of Paulding County, Georgia, Mobley was graduated from the University of Georgia in 1940 with the degree of Bachelor of Science in Agriculture. Following graduation, he taught vocational agriculture for three years in Bartow County, Georgia. In 1945 he entered the CPA training program and after training became Manager of the Farmers' Mutual Exchange at Vidalia, Georgia. After a short period of time there, he was transferred to the FMX at Rome, Georgia, where he served as Manager for three years. Mobley was then promoted to District Manager of Northwest Georgia and North Alabama. In 1953 he became Manager of Broiler Production Services and was later given responsibility for the hatchery program as well. In July, 1966, he assumed his present position but continues to have direct responsibility for the broiler-hatchery program.

Active in trade associations, Mobley is currently Vice President of the Georgia Poultry Improvement Association, a director of the Georgia Poultry Federation, and a director of the Southeastern Poultry and Egg Association. He is a

past president of the Georgia Poultry Federation and of the Dixie Poultry Exposition. His other activities have included serving as President of the Georgia Ag Alumni Association. He is a member of the Official Board of the Sandy Springs Methodist Church.

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Moseley, John J., Jr.,—Comptroller and Assistant Treasurer

Born in 1924 at Conyers, Georgia, Moseley was employed in highway construction work after completing high school. In 1950 he decided to pursue a college degree in accounting and enrolled at the Atlanta Division, University of Georgia, and took clerical employment in the Atlanta area. He received the degree, Bachelor of Arts with a major in accounting from the University of Georgia in 1956. He went to work for CPA in retail accounting in 1952 and progressed through several management positions in the accounting operations of the organization to his present position which he attained in 1965.

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Paris, C. Wesley—Executive Vice President and General Manager

Born in Fulton County, Georgia, and educated in the Atlanta Public School System, Paris went to work for CPA in 1934 as an office boy. Except for a one-year interval, 1940-1941, when he was employed by the Firestone Tire & Rubber Co., he has spent his entire business career in CPA. Since his interests were more in the area of the purchasing area of the organization, it is natural that he would have

been instrumental in the formation and management of that activity. With the entry by CPA into the poultry industry, Paris was given responsibility for poultry in addition to purchasing. On January 1, 1960, he was named Assistant General Manager of The Cotton Producers Association with continued specific responsibility for the Purchasing Division. November 1, 1965, his title was changed to Vice President and Assistant General Manager. Upon the retirement of D. W. Brooks on June 30, 1968, Paris was named to his present position and is only the second General Manager in the history of CPA.

Extremely active in industry programs, Paris is a director in: Cooperative Mills, Inc.; the National Broiler Council; the National Council of Farmer Cooperatives; and the Georgia Agribusiness Council. He is a director and was president from 1965 to 1968 in United Co-operatives, Inc. He is also a director and member of the executive committee of the National Broiler Council and he served as President during 1964-1965.

He is a member of: the Georgia Poultry Federation; the Georgia Plant Food Society; the Atlanta and the Georgia Chambers of Commerce; and the "Committee of Fifty" of the American Poultry Historical Society. Moreover, Paris has served as a delegate to the World Poultry Congress, 1966, held in Kiev, USSR, and to the U. S. Department of Agriculture European-American Symposium on Agricultural Trade held in

Amsterdam in 1963. He was a member of the U. S. Department of Agriculture Broiler Advisory Committee in 1961-1962.

Paris is also active in community affairs and church activities. He is a member of the Wieuca Road Baptist Church.

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Pulliam, William C.—Manager, Poultry Division

Pulliam, a native of Madison County, Florida, was graduated from the University of Florida in 1947 with a Bachelor of Science Degree in Agricultural Economics. Following graduation he entered the CPA training program after which he served as Manager of The Farmers' Mutual Exchange of Vidalia and of Valdosta, Georgia. In 1951 Mr. Pulliam was promoted to District Manager of the Southern Georgia and Northern Florida district. In 1953 he became Manager of CPA Poultry Processing and Marketing operations with headquarters in Canton, Georgia. In July 1966 he was promoted to Manager of Gold Kist Poultry Division and transferred to the Atlanta office.

Mr. Pulliam has served as a member of the Board of Directors, Georgia Poultry Federation; Past President, Georgia Poultry Processors Association; Past President, Southeastern Poultry Processors Council; member of the Board of Directors and Treasurer, National Broiler Council; member of the Board of Directors, Institute of American Poultry Industries; and member of the Board of Directors, Highland Crate Cooperative.

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Rowland, Robert R.—Treasurer

Rowland was born in Wisconsin, January 6, 1919, but spent the majority of his early years in Buffalo, New York, where he was graduated from Millard Fillmore College with the degree, Bachelor of Arts with a major in accounting. He was then employed in public accounting for about fourteen years prior to joining the CPA organization in 1957 as Assistant Treasurer. He was promoted to his present position upon the retirement of FunderBurk in 1965. He is active in community affairs, presently serving as a member of the Committee on Foreign Relations and as a director of the Georgia Safety Association.

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Sands, Don W.—Assistant Vice President of Marketing

Born in 1926 at Durant, Oklahoma, Sands received the degree of Bachelor of Science in Business Administration from Southeastern State College, Durant, Oklahoma, in 1949. He came into the CPA organization in 1957 as a result of the merger between CPA and the Georgia Peanut Group. At the time of the merger, Sands had been Assistant Manager of Greenwood Products Company, Graceville, Florida, since 1953. Prior to that time, he had been employed by the Durant Cotton Oil & Peanut Corporation, Durant, Oklahoma. Following the merger, Sands was manager of the Anadarko plant of CPA for two years. From 1959 to 1962, he served as Plant Operations

Manager for the peanut division with headquarters in the Atlanta office of CPA. In 1962 he was promoted to the position of Director, Gold Kist Peanut Division and in 1967, given responsibility for the pecan operations. This was followed on August 1, 1968, by his promotion to Assistant Vice President of Marketing.

Sands has been very active in trade association activities with memberships in the National Confectioners Association, the National Pecan Shellers and Processors Association, and the Southwestern Peanut Shellers Association. He has also been a member of the U. S. Department of Agriculture Stabilization Advisory Committee on Peanuts since 1965. As a member of the Southeastern Peanut Shellers Association, Sands has served as an officer since 1965, lastly Chairman of the Executive Committee. He is a member of the Board of Directors of the National Peanut Council and he has also held several posts on the National Peanut Administrative Committee.

APPENDIX F

CPA AGENCIES

Table F-1

CPA Agencies Distributing Farm Supplies at June 30, 1968

	Location	*Name*	*Type of Agency*	*Name of Manager*
District Manager: Horace L. Cantrell				
GEORGIA	Commerce	Farmers Mutual Exchange	AFFIL.	Grady Faulkner
	Covington	Farmers Mutual Exchange	AFFIL.	H. D. Day
	Cumming	Farmers Mutual Exchange	AFFIL.	M. E. Tate
	Decatur	Farmers Mutual Exchange	AFFIL.	W. H. Adams
	Eatonton	Farmers Mutual Exchange	AFFIL.	Tom Lovelace
	Gainesville	Farmers Mutual Exchange	AFFIL.	T. F. Chambers
	Griffin	Farmers Mutual Exchange	AFFIL.	R. A. Griffin
	Hartwell	Farmers Mutual Exchange	AFFIL.	Paul Younts
	Lawrenceville	Farmers Mutual Exchange	AFFIL.	J. D. Deaton
	Madison	Farmers Mutual Exchange	AFFIL.	J. R. Miller
	Monore	Farmers Mutual Exchange	AFFIL.	G. E. Smith
	Winder	Farmers Mutual Exchange	AFFIL.	W. H. Broach
	Athens	Farmers Mutual Warehouse	AFFIL.	Al Sanders
	Athens	Farmers Mutual Exchange	DIRECT	Algia Sanders
	Elberton	Farmers Mutual Exchange	DIRECT	J. T. Edwards
	Royston	Farmers Mutual Exchange	DIRECT	O. R. Sudderth
	Washington	Farmers Mutual Exchange	DIRECT	Howard Pickett
	Cornelia	Cornelia Hatchery	PRIVATE	W. O. McMullan
	Jefferson	J. H. Kinney & Sons	PRIVATE	J. H. Kinney
	Cleveland	White County Farmers Exchange	IND. COOP.	Leonard Craven

Source: Obtained directly from the records of the Purchasing Division of The Cotton Producers Association.

Table F-1—*Continued*

Location		Name	Type of Agency	Name of Manager
District Manager: Ralph D. Clifton				
ALABAMA	Geraldine	Farmers Mutual Exchange	AFFIL.	W. D. Sparks
	Rainsville	Farmers Mutual Exchange	AFFIL.	Holly McCauley
	Albertville	Farmers Mutual Exchange	DIRECT	David M. Monore
	Anniston	Farmers Mutual Exchange	DIRECT	James L. Tumlin
	Boaz	Farmers Mutual Exchange	DIRECT	Ronny Neely
	Centre	Farmers Mutual Exchange	DIRECT	C. E. Brumbeloe
	Henagar	Farmers Mutual Exchange	DIRECT	R. Strickland
	Scottsboro	Farmers Mutual Exchange	DIRECT	R. Burkhalter
	Stevenson	Farmers Mutual Exchange	DIRECT	Don E. Jordan
	Albertville	Arbor Acres Farms	PRIVATE	Jimmy Garvin
	Gadsden	Etowah Warehouse	PRIVATE	E. N. McDill
	Cedar Bluff	Sand Rock Gin & Fertilizer Co.	PRIVATE	Clyde Stimpson
District Manager: T. D. Cummings				
GEORGIA	Arlington	Farmers Mutual Exchange	AFFIL.	Wayne Barrett
	Cario	Farmers Mutual Exchange	AFFIL.	C. E. Prince
	Donalsonville	Farmers Mutual Exchange	AFFIL.	J. T. Hanna
	Moultrie	Farmers Mutual Exchange	AFFIL.	Jack Faison
	Camilla	Farmers Mutual Exchange	DIRECT	Billy Hobby
	Meigs	Farmers Mutual Exchange	DIRECT	Lavon Hall
FLORIDA	Marianna	Farmers Mutual Exchange	AFFIL.	E. L. Wright
	Graveville	Farmers Mutual Exchange	DIRECT	E. Pennington
	Graceville	Cloverdale Farms, Inc.	PRIVATE	John Morrow
	DeFuniak Springs	West Fla. Farmers Co-Op	IND. COOP.	Coy Commander

Table F-1—*Continued*

	Location	*Name*	*Type of Agency*	*Name of Manager*
ALABAMA	Wicksburg	Farmers Mutual Exchange	DIRECT	G. Holloway
GEORGIA	Blairsville	Farmers Mutual Exchange	AFFIL.	M. Stephens
	Calhoun	Farmers Mutual Exchange	AFFIL.	James French
	Cartersville	Farmers Mutual Exchange	AFFIL.	M. Cantrell
	Cedartown	Farmers Mutual Exchange	AFFIL.	Wade Queen
	Jasper	Farmers Mutual Exchange	AFFIL.	Oren Davis
	LaFayette	Farmers Mutual Exchange	AFFIL.	C. McWilliams
	Rome	Farmers Mutual Exchange	AFFIL.	C. Johnston
	Trenton	Farmers Mutual Exchange	AFFIL.	Sam Moody
	Carrollton	Farmers Mutual Warehouse	AFFIL.	B. Hollingsworth
	LaGrange	Farmers Mutual Warehouse	AFFIL.	H. Lipham, Sr.
	Canton	Farmers Mutual Exchange	DIRECT	C. McCurry
	Dallas	Farmers Mutual Exchange	DIRECT	Wyman Howley
	Ellijay	Farmers Mutual Exchange	DIRECT	L. J. Mooney
	Blairsville	Arbor Acres Farms	PRIVATE	. . .
	Bremen	City Lumber Company	PRIVATE	J. L. Wilson
	Summerville	Farmers Supply Store	PRIVATE	Frank Agnew
	Bowden	Holloway Supply	PRIVATE	L. Holloway
	Buchanan	Moores Farm Supply	PRIVATE	Harry Moore
	Blue Ridge	Fannin County Agricultural Association	IND. COOP.	L. H. Bailey
	Ringgold	Catoosa County Farmers Association	IND. COOP.	Harry Watts
TENNESSEE	Cleveland	Farmers Mutual Exchange	AFFIL.	J. Shamblin
SOUTH CAROLINA	Bamberg-Denmark	Farmers Mutual Exchange	AFFIL.	Hugh Lowery
	Allendale	Farmers Mutual Exchange	AFFIL.	Larry Odum

Table F-1—*Continued*

	Location	*Name*	*Type of Agency*	*Name of Manager*
District Manager: Ed A. Hendrix				
GEORGIA	Baxley	Farmers Mutual Exchange	AFFIL.	R. L. Kimbrel
	Claxton	F.M.X. of Claxton-Bellville, Georgia	AFFIL.	G. M. Collins
	Eastman	Farmers Mutual Exchange	AFFIL.	G. T. Allen
	Metter	Farmers Mutual Exchange	AFFIL.	J. O. Rocker
	Springfield	Effingham Farmers Coop.	AFFIL.	W. Shearouse
	Statesboro	Farmers Mutual Exchange	AFFIL.	E. Anderson, Jr.
	Sylvania	Farmers Mutual Exchange	AFFIL.	Jerry Dickerson
	Vidalia	Farmers Mutual Exchange	AFFIL.	Julian Morris
	Waynesboro	Farmers Mutual Exchange	AFFIL.	J. A. Peifer
	Dublin	Farmers Mutual Warehouse	AFFIL.	R. Thompson
	Garfield	R. L. Boatwright	PRIVATE	. . .
	Glennville	Faircloth Farm Supply	PRIVATE	S. Griffin
	Milan	Milan Tractor & Imp. Co.	PRIVATE	. . .
	Manassas	H. F. Tootle	PRIVATE	H. F. Tootle
	Twin City	Brown Brothers	PRIVATE	W. R. Brown
District Manager: Wade W. Johnson				
ALABAMA	Arab	Farmers Mutual Exchange	AFFIL.	M. Underwood
	Bountsville	Farmers Mutual Exchange	AFFIL.	C. E. Brown
	Cullman	Farmers Cooperative Warehouse Association	AFFIL.	L. C. Norrell
	Jasper	Farmers Mutual Exchange	AFFIL.	E. Dickerson
	Athens	Farmers Mutual Exchange	DIRECT	Alfred Temple
	Danville	Farmers Mutual Exchange	DIRECT	Mikel Jones

Table F-1—*Continued*

Location		Name	Type of Agency	Name of Manager
	Fayette	Farmers Mutual Exchange	DIRECT	W. B. Bobo
	Haleyville	Farmers Mutual Exchange	DIRECT	A. D. Waldrop
	Moulton	Farmers Mutual Exchange	DIRECT	John Harris
	Russellville	Farmers Mutual Exchange	DIRECT	Bobby Malone
	Town Creek	Preuit & Mauldin	PRIVATE	Robert Neal
District Manager: T. S. Singletary				
GEORGIA	Adel	Farmers Mutual Exchange	AFFIL.	L. T. King
	Quitman	Farmers Mutual Exchange	AFFIL.	W. W. Drew
	Valdosta	Farmers Mutual Exchange	AFFIL.	F. H. Pulliam
	Waycross	Farmers Mutual Exchange	AFFIL.	Billy Ritch
FLORIDA	Chiefland	Farmers Mutual Exchange	AFFIL.	L. F. Griffin
	Gainesville	Farmers Mutual Exchange	AFFIL.	W. Hanselman
	Lake City	Farmers Mutual Exchange	AFFIL.	T. F. Davis
	Live Oak	Farmers Mutual Exchange	AFFIL.	S. H. Weeks
	Madison	Farmers Mutual Exchange	AFFIL.	N. S. McLeod
	Trenton	Farmers Mutual Exchange	AFFIL.	Henry Townsend
	Starke	Farmers Mutual Exchange	DIRECT	John Dempsey
	Jasper	Tom Bridges	PRIVATE	. . .
	Plant City	Gulf Farmers Cooperative	IND. COOP.	Zeb McDaniel
District Manager: Donald Summers				
GEORGIA	Americus	Farmers Mutual Exchange	AFFIL.	Gerald Smith
	Ashburn	Farmers Mutual Exchange	AFFIL.	H. Cunningham
	Cordele	Farmerc Mutual Exchange	AFFIL.	V. Musselwhite

Table F-1—*Continued*

Location	*Name*	*Type of Agency*	*Name of Manager*
Douglas	Farmers Mutual Exchange	AFFIL.	T. F. Sheppard
Sylvester	Farmers Mutual Exchange	AFFIL.	T. F. Hobby
Tifton	Farmers Mutual Exchange	AFFIL.	Billy Davison
Macon	Middle Georgia Farmers Cooperative	AFFIL.	R. E. Hodges
Ocilla	Farmers Mutual Exchange	AFFIL.	Gene Summer
Dawson	Farmers Mutual Warehouse	AFFIL.	E. Bennett, Jr.
Vienna	Farmers Mutual Exchange	DIRECT	Wayne Cooper
Ashburn	Fred Rains	PRIVATE	Fred Rains

APPENDIX G

AGREEMENTS WITH OTHER COOPERATIVES

JOINT VENTURE AGREEMENT BETWEEN CENTRAL CAROLINA FARMERS EXCHANGE, INC., AND COTTON PRODUCERS ASSOCIATION CONTINUING JOINT VENTURE UNDER AGREEMENT DATED JANUARY 1, 1965[1]

THIS AGREEMENT, made and entered into as of the 1st day of July, 1967, by and between CENTRAL CAROLINA FARMERS EXCHANGE, INC., a North Carolina Farmers' Cooperative corporation (hereinafter referred to as "CCF") and COTTON PRODUCERS ASSOCIATION, a non-profit cooperative association organized, chartered and existing under the Cooperative Marketing Act of the State of Georgia (hereinafter referred to as "CPA"),

W I T N E S S E T H :

WHEREAS, it is deemed by each of the parties to be in the best interest of their respective patrons that they continue their joint venture for the operation of a poultry production, processing and marketing enterprise; and

WHEREAS, the parties have heretofore entered into a certain agreement dated January 1, 1965, concerning the formation and joint operation of a poultry production, processing and marketing enterprise on the terms and conditions stated therein; and

WHEREAS, the parties hereto are desirous of extending the said agreement dated January 1, 1965, (except as same may be in conflict with the terms of this Agreement) to provide for certain additional undertakings and duties of the parties and to provide for the continuation of said agreement by including certain provisions thereof in this Agreement and for the effectiveness of this Agreement for a term of ten years from date of execution of this Agreement; and

WHEREAS, the parties hereto wish now to make and agree to make and enter into this Agreement and the continuation of the agreement dated January 1, 1965;

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[1]Obtained from C. W. Paris in an interview, February 14, 1969.

NOW, THEREFORE, in consideration of the mutual benefits to be derived by the parties hereto from this Agreement, and the promises of one to the other, the parties do hereby mutually warrant, covenant and agree as follows:

I. PURPOSES

(1) This Agreement supersedes and supplants the Joint Venture Agreement between the parties dated January 1, 1965, as to any matters set forth in that Agreement which are provided for in this Agreement. It is not the intention of the parties that this Agreement affect the rights of the parties under said Joint Venture Agreement dated January 1, 1965, however, and any and all such rights shall remain in full force and effect except as specifically provided to the contrary in this Agreement.

(2) CCF and CPA shall operate as a Joint Venture (the "Venture") for the benefit of their respective patrons a poultry products business for the production, processing and marketing of poultry products in the areas of and around, Durham, N. C.; Canton, Ga.; Boaz, Ala.; Athens, Ga.; Live Oak, Fla; and in such other areas as may be determined from time to time.

II. FACILITIES

(1) CCF has previously leased to CPA for use by the Venture the real estate and improvements thereon known as the Central Carolina Farmers Exchange, Inc. Poultry Processing Plant located in Durham, North Carolina ("Processing Plant") under that certain lease agreement dated the 1st day of January, 1965. The parties hereto agree that said lease shall be continued in full force and effect as presently executed, and upon the same terms and conditions thereof, except that the term of said lease is hereby extended to ten (10) years from the date of this Agreement with year-to-year renewals thereafter and said lease shall, from after the date of execution of this Agreement, be terminable by either party only upon giving of two years' notice to the other at any time after eight years from the beginning of the term of this Agreement. In any event, said lease shall terminate upon the termination of this Agreement. The parties hereto further agree to make, and cause to be recorded as required by applicable laws, an amendment to said lease agreement reflecting the change to the term and termination provisions thereof contained in this paragraph.

CPA has heretofore purchase from CCF, or assumed lease obligations on, all personalty (equipment, machinery, furniture and fixtures) located at the Processing Plant and used and useful in the operation and the production operations carried on from the said Processing Plant in this Venture, pursuant to the terms of that Agreement dated January 1, 1965. Upon termination of this Agreement and the applicable lease or leases, CCF shall (unless the provisions of paragraph II(9)(b) are applicable) repurchase said personalty and any replacements thereof and additions thereto at a price equal to the then book value thereof, determined in accordance with generally accepted accounting practices on the basis applied by CPA in its own plants to its own similar poultry processing equipment. Loss, if any, resulting from such repurchase shall be borne by the party requesting such termination. Except as specifically provided to the contrary herein, all obligations, duties, warranties, and other undertakings by and between the parties as to the said personalty located at the Processing Plant, as set forth and agreed upon in that certain Joint Venture Agreement dated the 1st day of January, 1965, or otherwise, shall remain in full force and effect for the term of this Agreement.

(2) CCF shall lease to CPA for use by the Venture the real estate and improvements thereon which comprise the hatchery facilities of CCF located at Siler City, North Carolina, ("Siler City Hatchery") under a lease agreement satisfactory to the parties executed contemporaneously with this Agreement and providing among other things:

(a) A term of ten (10) years, with year-to-year renewals thereafter.

(b) The lease shall be terminable by either party, by giving two years' written notice to the other at any time after eight (8) years from the beginning of the term of said lease, and in any event the lease shall terminate upon the termination of this Agreement.

(c) A net rental (as an expense of the Venture) which shall reimburse to CCF all expenses of CCF of holding, protecting and maintaining the Siler City Hatchery, including, without limitation, depreciation, real estate taxes and insurance

thereon and interest on CCF's investment therein (at the book value shown on the books of CCF as on June 30, 1967, using the straight line method of depreciation) at the rate of five and one-half per cent (5-1/2%) per annum for the first year of operation under this AGreement and thereafter at a rate adjusted to the short term interest rate in effect on loans from the Columbia Bank for Cooperatives, Columbia, South Carolina.

(d) All repairs, except structural repairs, and maintenance of the Siler City Hatchery shall be made by CPA, as an expense of the Venture.

CCF warrants that it has good title to the Siler City Hatchery, free and clear of all liens and encumbrances except the security interest thereon held by Columbia Bank for Cooperatives, Columbia, South Carolina.

(3) CPA shall purchase from CCF, or assume the lease obligations on, all equipment (including machinery, furniture and fixtures) located at the Siler City Hatchery and used and useful in the operation of and the production operations carried on from the said Siler City Hatchery in this Venture at a price to be determined on the basis of the book value of said equipment as shown on the books of CCF as of June 30, 1967. Upon termination of this Agreement and the lease, CCF shall repurchase said personalty and any replacements thereof and additions thereto at a price equal to the then book value thereof, determined in accordance with generally accepted accounting practices on the basis applied by CPA in its own operations to its own similar facilities for producing hatching eggs and operating hatcheries. Loss, if any, resulting from such repurchase shall be borne by the party requesting such termination. CCF warrants that it has good title to and the right to convey the said equipment free and clear of all liens and encumbrances except the security interest thereon held by the Columbia Bank for Cooperatives, Columbia, South Carolina.

(4) CCF shall lease to CPA for use by Venture the real estate and improvements thereon which comprise the hatchery operations of CCF located in Durham, North Carolina, ("Durham Hatchery") under a lease agreement satisfactory to the parties executed contemporaneously with this Agreement and providing, among other things:

(a) A term of ten (10) years, with year-to-year renewals thereafter.

(b) The lease shall be terminable by either party by giving two years' notice in writing to the other at any time after eight (8) years from the beginning of the term thereof, and in any event the lease shall terminate upon the termination of this Agreement.

(c) A net rental (as an expense of the Venture) which shall reimburse to CCF all expenses of CCF of holding, protecting and maintaining the Durham Hatchery, including, without limitation, depreciation, real estate taxes and insurance thereon and interest on CCF's investment therein (at the book value shown on the books of CCF as of June 30, 1967, using s straight line method of depreciation, provided, however, that said book value shall be adjusted by agreement between CPA and CCF to reflect more nearly the actual value of the Durham Hatchery) at the rate of five and one-half per cent (5-1/2%) per annum for the first year of operation under this Agreement and thereafter at a rate adjusted to the short term interest rate in effect on loans from the Columbia Bank for Cooperatives, Columbia, South Carolina.

(d) All repairs, except structural repairs, and maintenance of the Durham Hatchery shall be made by CPA, as an expense of the Venture.

CCF warrants that is has good title to the Durham Hatchery, free and clear of all liens and encumbrances except the security interest therein held by the Columbia Bank for Cooperatives, Columbia, South Carolina.

(5) CPA shall purchase from CCF, or assume the lease obligations on, all equipment (including machinery, furniture and fixtures) located at the Durham Hatchery and used and useful in the operation of and the production operations carried on from the said Durham Hatchery in this Venture at a price to be determined on the basis of the adjusted book value of said equipment as of June 30, 1967, (adjusted book value being that book value which is shown on the books of CCF as of June 30, 1967, adjusted by recomputing depreciation taken on the Durham Hatchery equipment on the basis of CPA's depreciation schedule as applied by CPA to its own similar equipment for producing hatching

eggs and operating hatcheries). Upon termination of this Agreement and the lease, CCF shall (unless the provisions of paragraph II(9)(6) are applicable) repurchase said equipment and any replacements thereof and additions thereto at a price equal to the then book value thereof, determined in accordance with generally accepted accounting practices on the basis applied by CPA in its own operations to its own similar facilities used for producing hatching eggs and operating hatcheries. Loss, if any, resulting from such repurchase shall be borne by the party requesting such termination. CCF warrants that it has good title to and the right to convey the said equipment free and clear of all liens and encumbrances thereon except the security interest therein held by the Columbia Bank for Cooperatives, Columbia, South Carolina.

(6) In connection with its agreement to lease all real estate and improvements thereon, and to purchase all equipment, of the Siler City Hatchery and the Durham Hatchery, CPA shall also purchase from CCF all of its contract breeder flocks in existence as of June 30, 1967, at a price determined on the basis of the actual cost thereof.

(7) In connection with its agreement to lease from CCF all real estate and improvements thereon, and to purchase all equipment, of the Siler City Hatchery and the Durham Hatchery, CPA shall purchase from CCF all eggs in incubators and hatchery supplies on hand, at the Siler City Hatchery and the Durham Hatchery, as of June 30, 1967, at a Price to be determined on the basis of net cost to CCF of such eggs and hatchery supplies.

(8) CPA shall have responsibility for and control of the management and all operations of the Venture, including management of the Processing Plant, the Siler City Hatchery, and the Durham Hatchery (including, without limitation, responsibility for and control of management of all hatching egg production and hatchery operations), and CPA shall apply the same production, processing, operation, and marketing business practices and degree of care it has customarily applied to its similar operations in the past. Immediate supervision and management of the Venture shall be by the manager of the Poultry Division of CPA ("Manager"). Supervisory, managing and other personnel, subordinate to the Manager, shall be as from time to time determined and employed

and their duties and compensation shall be fixed by or under the direction of the Manager; provided, however, with regard to CCF's present key and management employees in the Durham and Siler City operations (to-wit: Manager(s), assistant manager(s), plant or hatchery superintendent(s), foreman (foremen), office manager(s), manager of boiler production and field men) CPA agrees that it will not release or materially change the status of any one of them without consulting with CCF.

Payment of salary and other employment benefits to such key and management employees of CCF shall be made by CCF, and reimbursed to CCF by the Venture.

For purposes of accounting hereunder, salary, wage and other employment costs related to the Venture shall be maintained separately for and allocated to the area of operation to which it is most closely related, and where it is most closely related to the Venture overall, it shall be allocated to all areas pro-rata on a volume of broiler production basis (in the case of employment costs related to the processing and marketing of broilers) or pro-rata on a volume of hatching egg production or production of chicks basis (in the case of production of eggs and operation of hatcheries).

(9)(a) CPA shall have responsibility and control of the operations of the Processing Plant, the Siler City Hatchery and the Durham Hatchery. Minor permanent additions or improvements to each of the said facilities, including without limitation those required for the replacement, addition, and installation of machinery and equipment, and single capital expenditures of less than $15,000.00 each for permanent structural additions or improvements to the said facilities may be made by CPA as it deems appropriate and feasible. All expenditures for permanent structural additions or improvements to the said facilities of less than $15,000.00 each, or in excess of $15,000.00 each should CCF agree to such expenditure as set forth hereinafter, shall be made at the expense of CCF, the cost of which shall become a part of CCF's investment in such facility, and a corresponding rental adjustment shall be made in accordance with paragraph 2(c) of the agreement dated January 1, 1965, and paragraphs II(2)(c) and II(4)(c) of this Agreement. All expenditures for additions to or replacements of machinery, equipment and other

personalty in the said facilities of less than $15,000.00 each, or in excess of $15,000.00 each should CCF agree to the expenditure for such as set forth hereinafter, shall be subject to the provisions of paragraphs II(1), II(3) and II(5), above, relative to the obligation of CCF to repurchase same at the then book value upon termination of this Agreement. Single capital expenditures of $15,000.00 or more, whether for machinery, equipment, other personalty, or structural additions or improvements, shall, before being incurred, be first submitted to and approved by the General Manager of CCF or such other person as the Board of Directors of CCF shall designate in writing to CPA. Should CCF withhold its approval of such expenditures of $15,000.00 or more, CPA may, nevertheless, proceed to make the same, advising CCF thereof, and in such event the next succeeding provision of this paragraph shall apply.

(b) As to any expenditure in excess of $15,000.00 as provided in subparagraph (a) of this paragraph (9), and as to which the approval of CCF was withheld, CCF shall have the right at the termination of this Agreement to purchase the same at prices equal to their then book value; provided, however, if CCF declines to so purchase, CPA shall have the right (but not the duty) to remove the same at its expense and CPA shall also have the responsibility for and bear the expense of repairing any physical injury to the CCF facilities resulting from the removal, but shall not be required to reimburse for any diminution in value of the facility involved caused by the absence of the equipment or fixtures removed or by any necessity for replacing them.

(10) In the operation of Venture in the Durham, North Carolina, and Siler City, North Carolina, areas:

(a) CCF shall sell to the Venture the Venture's requirements of feed, and CPA shall sell to the Venture the Venture's requirements of feed and chicks for all kinds of poultry raised and maintained by the Venture, meeting specifications set by CPA, at a price equal to the net cost to CCF or CPA, as the case may be, (cost of ingredients plus direct manufacturing costs, including, without limitation, depreciation, interest, insurance, taxes and overhead not materially different from similar overhead costs similarly applied in CPA's feed mill and

hatchery operations related to the Venture) as determined from time to time by audit of CCF's feed production operation. Payments for feed purchased by the Venture shall be made weekly.

(b) CPA, acting for the Venture, shall have full control over the administration of grow-out or broiler production, breeder and hatching flock maintenance and operations, which operations, however, shall be under broiler production contracts, breeder flock contracts, or hatching egg contracts entered into by CCF with the growers or producers of eggs, substantially uniform with CPA's similar contracts. The Venture shall supply to the growers or egg producers under such contracts all their baby chick and feed requirements. CCF shall make the grower or egg producer payments under said contracts, and be reimbursed by the Venture weekly.

(c) In the event that the chicks, feed, broilers, breeder flocks, hatching egg flocks or eggs supplied to the Venture provided for through the above arrangements of the Venture, CPA and CCF jointly may make any other arrangements deemed necessary to meet the needs of the Venture in the Durham, North Carolina, and Siler City, North Carolina, areas and subsequent expansion thereof.

(d) In addition to the broiler operation herein contemplated, the Venture shall purchase, process and market all the live poultry (other than broilers) delivered to it by CCF, at prices to be mutually agreed upon from time to time, which prices, however, shall be related to the net return realized by the Venture on such processed poultry in such a way not to result in any loss to the Venture.

(e) In connection with the operation of the Siler City Hatchery and the Durham Hatchery, the Venture will hatch layer type chicks for CCF at the net operating cost of the Hatchery for this service.

(11) CCF shall have the right at all reasonable times to review the operations, audits and financial results of those CPA feed mills, hatcheries, and poultry production, processing and marketing operations as are a part of or related to the Venture, and CPA shall have a similar right to review the operations, audits and financial results of CCF feed mill and hatchery operations, related to the Venture.

(12) Determination of all matters of management, operations and decisions to be made under this Agreement shall be by CPA alone. CPA agrees, nevertheless, with respect to policy matters and matters of major import, to consult with and seek the opinion and recommendations of CCF.

(13) All matters of audit and accounting provided for under this Agreement shall be performed or supervised by or subject to the approval of a certified public accountant selected by CPA. Separate books of account shall be kept for each area of operation of the Venture and CPA shall have one (1) employee responsible directly to CPA at the central office of the Venture in Durham, North Carolina, whose duties shall be to keep these books of account with the assistance of other clerical employees under the joint control of CCF and CPA.

(14) An audit of the operations of the CPA Poultry Division constituting the Venture shall be made at the close of each fiscal year and its total net margin determined. A pro-rata portion of such net margin shall be allocated to CCF, determined on the basis of the number of pounds of live poultry processed and marketed for patrons of CCF, together with the number of pounds (or other applicable measuring units) of other products marketing for patrons of CCF. In the sole discretion of CPA, a portion of such allocated net margins, not more than forty per cent (40%) thereof, shall be retained as operating capital (herein called "Retained CCF Equity") and the balance shall be distributed to CCF within eight and one-half months after the close of each fiscal year. CPA agrees to furnish the Venture at appropriate intervals with interest free capital in proportionate amount to the Retained Equity Capital of CCF in the Venture, on the basis of the amount of business done by the Venture for CPA patrons as compared to that done for CCF patrons. From time to time upon delivery to CPA of written requests therefor, CCF may borrow from CPA amounts totalling in the aggregate not more than fifty per cent (50%) of the Retained CCF Equity at the time of the borrowing at a rate of interest mutually determined by CPA and CCF at the time of the borrowing. Upon the termination of this Agreement and the Venture, the amount then standing in the Retained CCF Equity shall be distributed in cash to CCF within a reasonable time, not to exceed one year, after such termination.

(15) No other poultry operation in the Central North Carolina territory presently served by CCF shall be permitted to become a participant in the Venture except with the approval of CCF. No other poultry operation shall be admitted to the Venture as a participant until CCF has been fully apprised by CPA of the identity of such proposed participant and the nature and extent of its operations, and has been given ample opportunity to consider the same, and to furnish to CPA its advice and recommendations regarding the same. In the event any other operator shall be permitted to become a participant in the Venture, its participation shall in any event be on a basis no more favorable in any respect than that enjoyed by CCF under the terms and provisions of this Agreement.

(16) In the event the Venture incurs an operating loss for any year as determined by the audit at the close of that year, CCF's loss shall be carried forward and deducted from its share of the Venture's net margins in future years and not charged to CCF's Retained Equity recorded on the books of CPA. It is understood and agreed that CCF shall have no responsibility for any of the obligations or liabilities whatever incurred by CPA in the operation of the Venture, nor for any losses sustained in connection therewith, except as provided hereinabove. CPA does hereby undertake and agree to indemnify and hold CCF harmless in all respects from any and all liabilities or obligations whatever except such as shall be owing by CCF hereunder or claims arising under or through CCF and its obligations hereunder, arising from or incurred in any of the operations of the Venture, including the expense of the defense of any litigation instituted in connection therewith.

(17) This Agreement shall continue for a term of ten (10) years and from year to year thereafter unless sooner terminated. Either party may terminate this Agreement by giving two years' notice in writing to the other at any time after eight years from the date hereof. Notwithstanding any of the provisions contained herein, CPA and CCF are willing to re-examine any provisions set forth in this Agreement and make any changes that can be mutually agreed upon.

IN WITNESS WHEREOF, the parties have hereunto caused their names and seals to be affirmed by their duly authorized officers, the day and year first above written.

CENTRAL CAROLINA FARMERS EXCHANGE, INC.
(A Growers Cooperative)

ATTEST:

By ______________________________
Vice President
D. E. Townsend

____
C. W. Tilson

COTTON PRODUCERS ASSOCIATION

ATTEST:

By ______________________________
C. W. Paris

____
C. M. Dotson

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BIOGRAPHICAL SKETCH

Parks B. Dimsdale, Jr., was born November 23, 1934, at Atlanta, Georgia. In June, 1952, he was graduated from Murphy High School and became employed by Dun & Bradstreet, Inc., Atlanta, as a clerk, and by 1956 he had advanced to the position of Manager of Correspondents. At that time he was called to active duty in the U.S. Naval Reserve for twenty-seven months. Following his discharge, he returned to Dun & Bradstreet, Inc., and remained there until 1962, advancing during that time to the position of City Department Manager. Also in this period he attended Georgia State College and completed the requirements for the degree of Bachelor of Business Administration in 1961. In 1962, after receiving the degree, Master of Business Administration, from Emory University, he was employed at Georgia State College, Atlanta, as Assistant Director of Student Guidance and Instructor in the Department of Marketing.

In 1963 he accepted a position as Director of Selection and Placement at GENESCO, Nashville, Tennessee. In this position, he recruited and placed middle management personnel and recent college graduates and taught sections of corporate training and development programs.

In September, 1964 he enrolled in the Graduate School of the University of Florida working toward the degree of Doctor of Philosophy. During the 1964-1965 school year he worked as a graduate assistant in the Departments of Real Estate and Marketing. From 1965 to the present time, he has been employed as a full-time instructor in the Department of Marketing.

Parks B. Dimsdale, Jr., is married to the former Dorothy Ann Rockmore and is the father of two children. He is a member of the American Marketing Association, Southern Marketing Association, and Delta Sigma Pi.

This dissertation was prepared under the direction of the chairman of the candidate's supervisory committee and has been approved by all members of that committee. It was submitted to the Dean of the College of Business Administration and to the Graduate Council, and was approved as partial fulfillment of the requirements for the degree of Doctor of Philosophy.

March, 1970

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